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SUMMARY

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...as deployed its ...rmy in the areas ...flared after the ...n. Page 4

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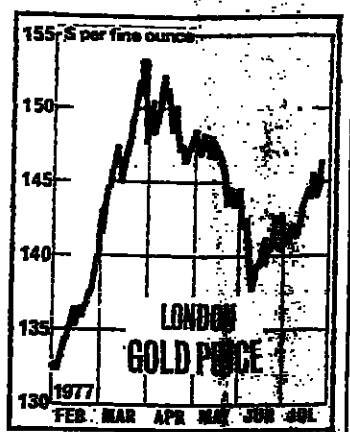
BUSINESS

Dollar weaker; equities rise 5.7

● DOLLAR was under further pressure, touching a record low against the West German mark. Its trade-weighted depreciation widened to 2.06 (1.93) per cent. Sterling gained 2 points against the dollar to close at $1.7199, but its trade-weighted index slipped to 60.6 (60.7).



● GOLD rose $1.50 to $146.875, boosted by the weakness of the dollar.

● GILTS strengthened, with buying demand centred largely on near-dated issues. The FT Government Securities Index rose 0.39 to 67.27.

● EQUITIES were also firm, the FT 30-Share Index closing at 437.2, up 5.7.

● WALL STREET fell 1.18 to 914.24.

● U.S. TREASURY Bill rates at this week's auction: three 5.183 (5.214), six ...

● WEST GERMANY has run up an increased trade surplus in the first half of this year. Page 4

● METROPOLITAN Borough of Sandwell is issuing £20m. of 13 per cent. redeemable stock 1985 at £97½. Page 34

£100m. released for Leyland

● GOVERNMENT has provided another £100m. for Leyland. But as the company draws on the money, it will have to satisfy the National Enterprise Board that it is making progress in improving industrial relations. Back and Parliament, Page 12

● FORMER LEYLAND managing director Mr. George Turnbull, who has just spent three years setting up the Hyundai car company in Korea, will become a consultant in Iran rather than return to U.K. industry at present. Page 9. Men and Matters, Page 14

● KOREAN TV shipments to the U.K. have already greatly exceeded this year's quota and the excess will be counted against next year's quota. Page 6

● IMPROVEMENT in the quality of manufacturing managers is crucial to U.K. industrial strategy, according to an Industry Department discussion paper. Page 8

● PRICES Secretary, Mr. Roy Hattersley, said his officials were discussing with the Price Commission whether the fall in potato prices was being adequately reflected in the price of frozen chips to the consumer.

COMPANIES

● INSTITUTIONS have fixed a meeting in mid-August with the chairman of Fairey to discuss the profit setback and excess borrowing. The Board to-day seeks shareholders' approval for higher borrowing limits. News analysis, Page 8

● RACAL ELECTRONICS chairman, Mr. Ernest Harrison, has forecast another record year for the group, with a sales target of £200m. Page 24

● POWELL DUFFRYN plans a one-for-five rights issue at 135p to raise £6.6m. Page 34

U.K.-French accord on Channel oil share

BY RAY DAFTER, ENERGY CORRESPONDENT

The way has been cleared for a major oil exploration programme in the English Channel and the Western Approaches.

After a 13-year dispute between the U.K. and France, an international arbitration court has settled the course of the median line between the two countries.

Both countries say they are satisfied with the outcome.

The French Government said it had obtained a much larger area of the Atlantic region than Britain was prepared to accept in the earlier discussions.

The British Government is satisfied that it persuaded the court to push back the proposed French line in order to give the U.K. oil companies a greater share of the sedimentary basin.

About 40,000 square miles of the ocean bed were in dispute and, in the end, each country was allocated about 20,000 sq. miles.

It is this central area of the Western Approaches which is thought to contain the most promising geological structures. This is why the boundary issue was so keenly contested.

The dispute, which has delayed oil and gas exploration in the approaches to the English Channel, concerned the course of the median line south and west of Land's End and the extent of territorial waters around the Channel Islands.

In the first case, Britain claimed that the Scilly Isles rather than Land's End should be taken as the point of reference. The French disagreed.

As a result, the court found that the islands constituted a special circumstance and adjusted the boundary to give one-half effect to the Scilly Isles claim.

The fact that the islands were included in the reckoning sets a precedent for other boundary issues. For example, Britain and Ireland are still in dispute about the median line in the North Atlantic.

Whether or not Rockall should be used as a point of reference is one of the contested issues.

Although the arbitration court fixed separate median lines 12 miles north of the Channel Islands—giving the U.K. a strip of territory within the French sector—the boundary between the islands and the French coast has still to be fixed.

The area around the Channel Islands is not expected to create much oil industry interest, anyway. The Energy Department indicated that the geology of the area suggested this U.K. zone might be exploited only for its sand and gravel deposits.

It is the area further to the south west that is causing so much Government and oil industry interest.

It is known that a larger portion of the sedimentary basins, which could contain oil and gas bearing structures, lies in the northern part of the region and thus falls within the U.K. designated licence area.

A few of the U.K. blocks are about to be allocated to exploration groups by the Energy Department under its fifth round of offshore licences. These are away from the disputed area, however.

Except for Quadrant 87, south-east of Plymouth, the fifth round offers have failed to arouse much enthusiasm among the offshore oil operators. A number of the offered blocks did not receive any bids.

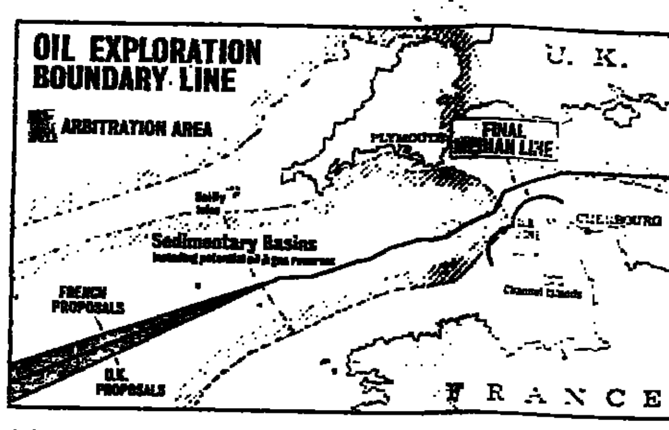
Britain and France have agreed to abide by the ruling of the court which has been sitting in Geneva. It is open to the Governments to ask for the meaning and scope of the decision to be clarified, however.

Once time has been allowed for any questions, the Governments are likely to designate further blocks in their respective zones as a preliminary to exploration licensing.

The Energy Department, hinting that it had been awarded "substantial areas" of "particularly interesting" geological structures, may decide to include some of the more attractive blocks in the sixth round of licences to be allocated in 1978 or 1979.

Latest Government estimates indicate that 2.5bn. tonnes of oil

Continued on Back Page



Multi-fibre talks end in disagreement

BY DAVID EGLI GENEVA, July 25.

DESPITE intense last-minute efforts, international negotiations here have failed to produce agreement on new rules for world trade in textiles after the end of this year.

But a U.S.-backed compromise proposal kept hopes alive of averting a chain reaction of protectionist measures, with incalculable effects for world trade, when the present arrangements expire at the end of December.

In winding up four weeks of negotiations between major importers and exporters, Mr. Olivier Long, Director-General, of the General Agreement on Tarriffs and Trade, stressed that "important differences" still remained on key questions.

Reminding delegates that the existing Multi-fibre Arrangements (the MFA) would remain until the end of the year, he urged Governments to continue their efforts to accommodate the requirements of all parties.

Without renewal of the MFA, there was a grave risk of the beginning of the collapse of international trade, he warned.

Most of the major trading countires, including the European Community, agreed to the compromise text, formally sponsored by the U.S. and calling for a protocol of renewal to be open for signature from December 15.

This it is hoped would allow the European Community time to negotiate some 22 bilateral agreements on textiles in a renewed attempt to limit the impact of the MFA on domestic textiles producers.

The formula, which appears to have the backing of countries representing some 85 per cent. of world textiles trade (including Hong Kong and South Korea as leading exporters) would, in effect, alow the Community to negotiate such agreements within the framework of the MFA but so as to include "jointly agreed reasonable departures from particular elements in particular cases."

This was firmly rejected by India and Brazil as an attempt to introduce modifications to the MFA through the back door.

These two countries argued that it was illogical to approve a basic document while, in effect, modifying its terms in this way which, they argued, would give an unfair advantage to the Community in its efforts to negotiate improved bilateral arrangements.

Editorial comment Page 14
Uncertainty ahead Page 33

The move was also disavowed by the French delegate, who argued that the compromise did not go far enough in meeting conditions set by the Europeans for MFA renewal.

The U.S. denies that it has moved towards accommodation of the EEC, claiming that the formula produced does not present a modification of the existing arrangement, while it is admitted that the "reasonable departures" formula is not included in the present MFA.

David Buchan writes from Brussels: The agreement by most of the participating countries in the MFA on at least broad principles of renewing the agreement was described by Herr Wilhelm Haferkamp, EEC Commission vice-president, as the "optimum" the EEC could have got out of the Geneva talks.

CBI warning over 'phoney' productivity agreements

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A CAMPAIGN to stop companies using phoney productivity deals as a way round the pay policy's 12-month rule will form a central part of CBI guidance on pay bargaining later this week.

The CBI intends to convince employers that such deals can damage both their own internal pay structures and the pay arrangements of neighbouring companies.

This indicates a considerable hardening of views among employers since productivity bargaining last played a major part of a pay policy—under the Conservative Government in 1973. Strict criteria were set then for the Pay Board to vet schemes. But now, with the Government having proposed no such controls, CBI leaders are worried that employers will try to evade the policy by signing productivity deals which do not boost productivity or cut costs.

This concern has increased because the Government's White Paper on pay and prices published last week said: "The only exceptions to the 12 months' rule relate to occupational pensions and self-financing productivity schemes."

The Treasury is known to be keen to create some vetting system for such schemes through the Department of Employment and the Price Commission. But its ideas are unlikely to be welcomed by the TUC and, the Employment Department has not devised a way for carrying out such work.

The CBI will urge companies not to become involved in phoney schemes when Mr. John Methven, CBI director general, issues guidance to its members at the end of this week. His advice will be in line with a circular which the Engineering Employers' Federation issued to its members.

This stressed five points: that productivity schemes should reduce unit costs; that any scheme which is not self-financing could harm other companies; that productivity pay rises should follow, not precede, savings in unit costs; that schemes for small groups of employees might upset a company's internal wage differentials; and that it might be useful to employ an independent authority to establish that a scheme is self-financing.

Mr. Methven's guidance to CBI members will stress that expectations among employees for large pay rises are already too high and that companies should use the services of the data bank and advice unit set up at the CBI's London headquarters to watch over the progress of pay bargaining.

● The CBI expects between 2,000 and 2,500 representatives of companies and trade and employers' associations to attend its first national conference, which will be held in Brighton in November. The conference will last a day and a half. It will consist of debates in six sessions based on resolutions being submitted through the associations and the CBI's standing committees.

The CBI president's committee will select the resolutions to be debated. Each session will end with a vote by a show of hands on various aspects of CBI policy.

Labour news Page 11

MPs face suspension

By Richard Evans, Lobby Editor

Moves to invoke severe penalties against Mr. Reginald Maudling, the former Home Secretary, and Mr. Albert Roberts, Labour MP for Normanton, for their links with Mr. Poulson were launched by a senior MP last night.

Mr. George Strauss, Labour MP for Lambeth, Vauxhall, and Father of the House, tabled amendments for to-day's Commons debate calling for both MPs criticised by the Commons Select Committee to be suspended without pay for six months. A third MP, Mr. John Cordle, a Tory representing Bournemouth East, resigned on Friday.

The danger for Mr. Maudling, who intends to challenge vigorously the select committee verdict that his conduct was inconsistent with the standards expected of MPs, is that the amendment comes from such a senior and respected elder-statesman.

Parliament, Page 12

Tax indexation accepted

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

AMENDMENTS stipulating that personal tax allowances should be indexed to the cost of living were allowed to remain in the Finance Bill in the Commons last night after the Government had reluctantly decided not to oppose them.

It was clear, however, from the remarks of Mr. Joel Barnett, Chief Secretary to the Treasury, and Mr. Denzil Davies, Minister of State, that the Government may decide to opt out of indexation when the matter comes up at the time of the spring Budget.

It would be able to do so by implementing an "escape clause" inserted by the Tories, which allows the Chancellor to get an order in the Commons committing him to introduce any allowance that he thinks fit.

The Liberals last tried to remove this qualification and make indexation automatic, but their amendment was defeated by a Government majority of 244 (268—24).

Mr. Davies, who was far more hostile to the principle of indexation than Mr. Barnett, complained that once it was accepted there would be irresistible pressure for general indexation of the entire tax system.

But Mr. Barnett did indicate that the Government would now have to consider eventually indexing excise duties and other areas of taxation, including capital gains, in line with personal allowances.

Parliament Page 12

Japan to discuss van sales

BY CHARLES SMITH TOKYO, July 25.

JAPANESE motor manufacturers have reluctantly agreed to meet representatives of the British industry in Tokyo on September 6 after heavy pressure for talks on limiting Japan's rapidly rising commercial vehicle sales in Britain.

The talks follow a strongly-worded letter from the Society of Motor Manufacturers and Traders which outlined British fears about this year's escalation of Japanese van and pick-up truck sales in the U.K.

This initiative from London has been accompanied by contacts at official level between the Department of Trade and the Japanese Ministry of International Trade and Industry.

Behind these developments are fears in Britain that the domestic commercial vehicle industry will come under similar pressure from Japanese manufacturers to that created by Japanese car imports two years ago.

Apart from their already sizeable presence in the van and pickup markets, the Japanese importers have talked about expanding into the heavier truck sector where the U.K. industry has also come under attack from Continental manufacturers in recent years.

British producers are hoping that, as in the car sector, the Japanese can be persuaded to impose voluntary restrictions on their sales in Britain on the grounds that they would otherwise disrupt the domestic industry and create big political strains.

Sales of Japanese commercial vehicles in the 3.5-ton gross vehicle weight range (these are British vehicles which can be driven on a car licence), have increased rapidly this year.

This is partly because of the introduction of the new Honda light panel van, and partly because of the build up of other companies' sales—Toyota has recently revised its well-known Hi-Ace range.

From a market share of 4.9 per cent. in February, the Japanese sales have increased to 5.7 per cent. in March, 6.1 per cent. in April, 6.5 per cent. in May, and 7.4 per cent. in June.

The Japanese argue that these sales should be seen in the context of the total market (which would bring its share down to 5.3 per cent.), but the Motor Manufacturers' Society believes the two kinds of vehicles should be treated separately.

Mr. Masataka Okuma, Vice-President for international operations of Nissan Motor Company and one of the main spokesmen for Japan in earlier meetings with the British Motor Manufacturers yesterday, refused to say what attitude the Japanese Automobile Manufacturers' Association (JAMA) might adopt to a request by the British manufacturers for restraint on commercial vehicle exports.

A month or so ago Mr. Okuma told journalists that commercial vehicles represented an indispensable "opening in the circle" for Nissan's British dealers who were otherwise circumscribed by the "gentlemen's agreement" which limits Japan's passenger car sales in Britain to less than 10 per cent. of the market.

£ in New York

	July 25	Previous
Spot	$1.7197-7199	$1.7190-7192
1 month	0.06-0.02 dis	0.20-0.15 dis
3 months	1.38-1.33 dis	1.67-1.62 dis
12 months	7.00-6.60 dis	7.00-6.60 dis

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...	...£99½	+ 1½
...	...£95½	+ 1½
...	79	+ 7
...	285	+ 9
...	130	+ 7
...	58xd	+ 6
...	46	+ 6
...	226	+ 6
...	405	+ 10
...	205	+ 6
...	66	+ 5
...	441	+ 3
...	75	+ 4
...	315	+ 12
...	67	+ 7
...	32	+ 4
...	132	+ 7
...	102	+ 7½
...	29	+ 3
...	228	+ 6

Oxley Printing	31½	+ 2½
Powell Duffryn	172	+ 8
Redfearn Nat. Glass	196	+ 7
Reyrolle Parsons	189	+ 5
United Scientific	168	+ 6
Vosper	123	+ 7
Willis Faber	250	+ 10
Aitock Oil	112	+ 14
Oil Exploration	224	+ 10
Siebens (U.K.)	258	+ 19
Ultramar	176	+ 6
Assam Frontier	230	+ 40
Cons. Gold Fields	157	+ 6
Coronation Syndicate	53	+ 5
Kloof Gold	270	+ 17
Libanon	333	+ 17
UC Investments	205	+ 5
Wankie Colliery	33	+ 3
FALLS		
Broken Hill Prop.	610	− 20
Sutcliffe Speakman	34	− 3
MEM	176	− 10

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Ad... must...
CRUSADER

LOMBARD

Unconventional wisdom on oil

BY IAN DAVIDSON

IT HAS BECOME part of the conventional wisdom, to date most if not all of our most pressing economic problems from the Arab-Israeli war of 1973 and the quadrupling of the price of oil which followed it. Now there is a measure, perhaps a very large measure, of truth in this, as in so many of the gobbets of conventional wisdom. And yet there is a real case for arguing that we, in the industrialised countries, ought to be pressing for a steady and regular increase in the price of oil for the next 10 or 15 years.

The argument is based on the proposition that, the way the world is going, demand for oil at current and predictable rates of growth will overtake the available supply of oil within a number of years which any political party will think it can safely ignore, but which falls well within the investment and gestation period for alternative forms of energy, and well within the lifetimes of virtually all the readers of the Financial Times.

Vital factor

The Central Intelligence Agency has estimated that the crossover point between supply and demand will arrive alarmingly soon—less than a decade. Now I do not set any particular store by the mathematical precision of the CIA predictions. A large number of unconventional oil discoveries may yet be made, of which the CIA never dreamed. Yet two facts are clear. The United States' voracious and wasteful appetite for imported oil is not merely upsetting the whole world's energy balance but is likely to do so for many years to come, for all the efforts of President Carter to clamp down on the average petrol consumption of Detroit's cars. Second, if $e=mc^2$ (and for all I know Mr. Clive Jenkins may have perfected a formula to persuade his followers that it doesn't), there is certainly a finite limit to the volume of recoverable oil in the earth's crust, and even more certainly a finite limit to the volume of oil economically recoverable at current OPEC prices.

There are people who point out that prophecies of scarcity have been made many times in the past, only to be disproved by events; and who deduce that all such prophecies must therefore be false. Such people are either geniuses or Micawbers. For either they have proved that e does not equal mc^2, and that the earth is, contrary to general belief, infinite in volume and mass; or else they think that optimism is a policy. For even if one were to imagine that the potential supply of oil in the earth's crust were infinite, one could scarcely evade the conclusion that it would become increasingly, and at length prohibitively, expensive to recover it. For many decades we became accustomed to the idea that oil was cheap: offshore exploration has proved this idea to be false.

The CIA may therefore have got the date for the supply-demand cross-over wrong by a wide margin. But if there is any sense in which the 1973 escalation of the oil price was responsible for our present troubles, then it would be mad not to start taking precautions against the day, whenever it comes, on which supply and demand will exert the same force as OPEC did in 1973.

Just suppose the CIA is right, and that in 1985 the unrestrained demand for oil overtakes the supply: the effect on the price would be just as great as the collective decision of OPEC in 1973, perhaps much greater. Now of course, neither the cross-over nor the price jump would take place on a single day: the market would attempt to maximise the price increase well in advance. But should we not be preparing for that moment, however uncertain we may be about the date?

Retail outlets

Would it not be sensible to assume that within the next ten years the *economic* price of oil will quadruple again? If so, it would be sensible to keep the price moving steadily up every year between now and then, rather than wait for a second, cataclysmic price explosion. It is a policy which would appeal to the oil-producing countries, and would facilitate at least one part of the North-South dialogue. It is also a policy which would render economic some of the alternative methods of developing energy resources in time to be effective. Obviously, it is not a policy which Britain, with expensive North Sea oil on its door-step, can decently propose. But that does not make it an intellectually absurd policy.

WINE

BY EDMUND PENNING ROWSELL

Spain tops Champagne

Most people if asked where the largest firm making sparkling wine by the *méthode champenoise* was situated would reply "in Champagne, of course." And they would be wrong. For there is another important centre of classical champagne-style production—in the Penedès district of Spain, about 30 miles to the south-west of Barcelona.

The largest firm there is Codorniu, with an annual sale of 33m. bottles, all produced by the authentic method of fermentation and maturing in bottle. In Champagne itself by far the largest house is Moët and Chandon of Epernay, with a sale of 19m. bottles last year. The second Penedès firm, Freixenet, with a sale total of 15m. bottles, is much bigger than Champagne's No. 2: Mercier, who dispose of 9m. bottles annually. Then it is doubtful whether few if any in Rheims or Epernay could compete with Penedès's next largest concern, Castelblanch, which claims a yearly sale of 5m. bottles, while the fairly new firm of Segura Viudas' 2m. bottles a year sale would equal that of many *grandes marques* Champagne.

Vital factor

Not, of course, that size is everything in the world of wine, one justifiably may often be a little suspicious of claims that biggest is best. In a sense, however, sparkling wines, like sherries, are standardised products, and if the ingredients are of high quality—the vital factor—and the production methods sound and carefully carried out, there is no reason why the products of a big firm should not be as good as the small one. Although, of course, there is always the temptation for the large concern to cut corners and lower standards.

Nevertheless there is a serious sparkling wine industry around the small, rather nondescript little town of San Sadurni de Noya, with over 100 "cavas" between them selling 60m. bottles a year, all made by the champagne method; and this is prominently displayed on their labels. (For comparison Champagne marketed 153m. bottles last year.) A further 20m. bottles are produced locally by the *cuve close* method, with Granvas on the label, while a carbonated wine will be labelled Gasificado. Only the *méthode champenoise* concerns may call their premises "cavas."

Codorniu is the oldest as well as the largest house, originally founded as long ago as 1551 and remaining a family firm ever since, though the last female member of the Codorniu family married a Raventós in 1659, and his descendents have run the firm ever since under the original name; a remarkable record! It was in 1872 that they began to produce sparkling wine, on the only system then known: the *méthode champenoise* imported from France.

Freixenet dates from 1889, but began sparkling wine production only in 1915, but another old sparkling wine house is Marques de Monistrol, a large estate which diversified into sparkling wine in 1882. They and other houses, including Freixedas of Vilafranca a few miles away, make both sparkling and still wines, some of them under different labels. Segura Viudas, formed in 1952, also has a second sparkling wine brand, Condé de Caralt, whose prices are rather lower.

All these sparklers are *blancs de blancs*, that is, made exclusively from white grapes. These are the same varieties as used for Penedès still white wines: Xarel-lo, Macabeo and Parellada. The huge Codorniu firm takes up 20 per cent. of the white grape production of the district, and during the seven weeks of the vintage presses 1m. kilos a day. The Xarel-lo, the basis of most cuvées, provides colour and body, the Macabeo elegance, while the Parellada produces a lighter style, but with a fine aroma.

Where these Spanish producers score over Champagne is in the price of grapes. The average is 10-15 pesetas a kilo (9-11p), whereas the top Champagne grapes last year cost Frs.7.18 (87p); although no house in the Marne uses only top quality grapes; but even the lowest price there was Frs.5.40 (64p). This goes far to explain why the Spanish sparkling wines even when made by the classical process are much less expensive than the French.

For in Penedès there is no obvious corner-cutting in the leading houses, and the maturing period is surprisingly long. Although under Spanish law the sparkling wine must be in bottle only nine months before being marketed, all the reputable firms keep their wines for three to five years, or even longer. Gran Codorniu and Freixenet's Brut Nature—both vintage wines—are at least six or seven years old, while the best Brut blends of Segura Viudas and Marques to Monistrol are four or five years maturing.

The Seco and Demi-Seco are kept for about three years, and these form 80-90 per cent. of total sales within Spain, of which about 60 per cent. is consumed within the borders of Catalonia, with a 6m. population out of a total of 34m. in all Spain. In Britain the sale of these wines is still developing, but the estimated sale is about 750,000 bottles a year, with an emphasis on the drier styles.

One rationalisation recently adopted both by Codorniu and Freixenet might be of considerable help to Champagne in its struggle with costs, if deemed acceptable there. This is concerned with the *remuage*, the length process by which the deposit in the bottles, placed in boards with holes in them (*pupitres*), is gradually worked down on to the corks, by a skilful one-eighth turn and gradual tilting to the vertical position. In Champagne this takes upwards of six weeks, and is the most skilled, highly paid job in the cellars.

In Spain this is still the most widely employed method, but the two biggest concerns have also taken to placing crates containing 500 bottles apiece into four-sided iron frames with an octagonal base tapering to a single point fixed to the floor. The *remuage* is simply performed by two men shifting daily the whole frame round one-eighth on this octagonal base; a speedy, unskilled operation. It may be doubted, however, whether this would yet satisfy the criteria of the Champenois.

What, then, are the end-products like? The Brut wines are clean and certainly dry, usually with about a ½ per cent. dosage only (though it is allowable up to 2 per cent). They have a pleasant, fresh aroma, although neither nose nor taste can match the best that Champagne can produce, but then not all Champagne does. All the brands I sampled on the spot were agreeable, though I found the Secos (2-3 per cent. dosage) sweeter than my taste, but not sickly. The prestige brands have considerable character, and are the equal of many NV champagnes, but it must be said that I did not find any to match the elegance and style of fine champagne. But this is true even of other French *méthode champenoise* wines.

Retail outlets

Prices, however, are much in their favour. In Spain the Bruts cost about £2 a bottle, the Secos around £1.50. Codorniu's Non Plus Ultra averages just under £3. Freixenet's Brut Nature '69 at about £2.15, and the prestige brands £4-£5. Here the prices are very similar, but if anything rather cheaper, with Non Plus Ultra, at about £2.50. The Gran Codorniu '69 is around £4.

This can be bought at Harrods, and Codorniu and Freixenet wines may be found in retail outlets as diverse as Fortnum and Mason and Tesco; also at other off-licences. Prices will vary, but these well-produced sparkling wines are worth trying, particularly for those who find champagne too expensive just now, but the *cuve close* alternatives unattractive.

RACING

BY DOMINIC WIG

Lester Piggott poised f spectacular Goodwood

LESTER PIGGOTT, who dominated events at the Royal meeting and again at Ascot last week, seems poised for a spectacular Goodwood, even by his exacting standards.

The Newmarket-based jockey, who has landed first prizes worth almost half a million pounds this term, could well take both the Molecomb Stakes and the Gordon Stakes on this, the opening afternoon of the five-day July meeting.

In the Group Three Molecomb Stakes Piggott again is riding Harry Wragg's *Amaranda*, and this unbeaten filly is certain to be long odds on to record her third success.

Amaranda, the five lengths winner of the Zetland Stakes at York in May, proved equally impressive in Royal Ascot's Queen Mary Stakes a month later—never coming off the bit and defeating Noiritza with far more in hand than the three lengths verdict might suggest.

The runner-up has since paid a handsome tribute to the form with a facile success in Sandown's National Stakes, and it is difficult to envisage Amaranda being seriously tested at Goodwood. Hatta, who completed a hat trick at the same Sandown meeting, may follow the Newmarket filly home and

GOODWOOD
2.00—The Tista
2.30—Amaranda
3.10—Daring March***
3.45—Hot Grove**
4.15—Carriage Way
4.45—Brigade of Guards*

provide the second leg of the forecast.

Just over an hour after the Molecomb, Piggott resumes his partnership with Lord Leverhulme's Hot Grove in the Gordon Stakes.

This well-made son of Hotfoot gave Piggott a fine ride when storming away with the Chester Vase early in May and he then put up another highly creditable performance when going down in the hands of Willie Carson to a net defeat by The Minstrel and Piggott at Epsom.

Although connections seem confident that the Iri runner-up, Lucky Sove prove his Epsom ru wrong by coming out Goodwood, I intend i Hot Grove, who is i the form selection.

As usual the Spillers Cup, which carries £15 £500 breeder's priz particularly tricky affa but two or three of th appearing to hold son a chance.

Two whom I expe going well are the re *bury* winner, *Meta* trainer, Bill Wightma event in 1975 with I another in-form Daring March. The las progressive brother Boy, is taken to g Bethell his biggest date.

Although he di badly at Ascot on his l ance, I intend giving Guards one more cha "getting out" race, ham Stakes. The sl appointing Skyliner r him home.

SALEROOM

BY ANTONY THORNCR

Louis XIV commode realises £14,500 in Irish house sale

CHRISTIE'S ORGANISED a two-day house sale at Donacomper, Co. Kildare, the home of Mr. and Mrs. Bruce Bredin, yesterday. The lots went for a total of £110,726 and there was strong Irish bidding.

A late Louis XIV boulle commode sold for £14,500 to Gismonde, a dealer from the south of France; and a private buyer paid £12,000 for a pair of George III Irish giltwood mirrors in the manner of Chippendale.

A set of four 17th-century Brussels Teniers tapestry panels of the Fish Quay sold for £9,500. Kildare Antiques of Dublin acquired an Irish mid-18th-century rococco giltwood overmantle for £5,000.

In London, English and Continental ceramics totalled £68,408. A Sèvres pattern blue du roi ground ormolu mounted garniture du cheminée went to Skandia for £4,500. Another London dealer, Kuros, paid £3,000 for a pair of Sèvres pattern ormolu mounted two-handled vases and covers.

A private buyer gave £2,800 for a Berlin porcelain rectangular plaque after Rubens, with the Infant Christ and St. John. Christie's oriental works of art sale brought in £38,962.

Over at Christie's South Kensington auction room, Astleys paid £1,500 for an elaborately carved Meerschaum pipe depicting Queen Victoria, among others.

The illustration is taken as a satire on Britain's position during the Franco-Prussian War of 1870: the pipe was made in Germany soon after. In 1898 it was stolen and reappeared as a gift to the House of Commons in 1920.

The original buyer's son recognised it and the returned to the fa yesterday finally dispo

There were thre sales at Sotheby's. Th of books realised £ collection of 17th pamphlets fetched £1 18th-century copies London Chronicle ma and John Pine's Hangings of the Lords" sold for the

Silhouettes and contributed £14,668 w price of £620 for a 19 English miniature o John Paul Jones, and ing session of £14,995.

In a Phillips sale of which totalled £31,02 paid £820 for a late-17 oak chest on stand. oil paintings totalled

'Great majority' are against nationalisation of banks

BY MICHAEL BLANDEN

THE GREAT majority of the public is against the nationalisation of the banks, according to the response so far to the advertising campaign conducted by the big banks.

At the half-way stage in the campaign, however, considerable differences are emerging between the readers of different national newspapers.

Out of total of more than 20,000 letters received in answer to the advertisements, 90.5 per cent. oppose bank nationalisation and only 3.6 per cent. are in favour.

Among 502 received from readers of The Guardian, however, as many as 31.4 per cent. are for nationalisation, with 51.4 per cent. against, and an exceptionally high proportion of 17.2 per cent. expressing no view.

Similarly, readers of The Observer show 72.8 per cent. against bank nationalisation, but 18.5 per cent. in favour. The Financial Times, with 260 replies, reveals an above average proportion of 5.4 per cent. for nationalisation, though with 90 per cent. against.

The most strongly opposed are Daily Express readers, with 95.3 per cent. against, and those of the Daily Telegraph, with 95 per cent. opposed and only 0.6 per cent. in favour.

The results follow the extensive campaign conducted by the banks to draw attention to the nationalisation proposals set out by the Labour Party National Executive Committee last year and to publicise the banks' case.

Lord Armstrong, chairman of Midland Bank, who is heading the banks' efforts in this argument, said: "Already the campaign has succeeded in bringing home to people the the nationalisation th has demonstrated a public's strong oppositi proposal."

He added that crit the banking industry received and were "w as "a free expression is healthy and helpful."

The banking adverti paing will contin September at a tota around £750,000.

RESPONSE TO BANKS' CAMPAIGN

	Number Received	Against Nationalisation %	For Nationalisation %
Telegraph	3,522	95.0	0.6
Mirror	1,159	90.0	4.5
Sun	1,093	93.3	2.7
D. Express	2,940	95.3	1.5
D. Mail	2,751	94.1	1.1
Guardian	502	51.4	31.4
Times	918	86.0	5.2
F. Times	260	90.0	5.4

Source: Banking Information Service.

TV/Radio

† Indicates programme in black and white.

BBC 1

6.40-7.30 a.m. Open University (UHF only). 9.45 The Wombles. 9.50 Jackanory. 10.05 John Burningham's Around the World in 80 Days, part 2. 10.10 Inch High Private Eye (cartoon). 10.30 The Record Breakers. 12.45 p.m. Pobol Y Cwm. 1.15 News. 1.30 Camberwick Green 1.45 Glorious Goodwood. 4.18 Regional News for England (except London). 4.20 Play School. 4.45 Animal Magic. 5.10 Play Away.
5.40 News.
5.55 Nationwide (London and South-East only).
6.20 Nationwide.
7.00 The Waltons.
7.50 The Black and White Minstrel Show.
8.35 Wildlife on One.
9.00 News.
9.25 The Fall and Rise of Reginald Perrin.
9.55 White Rhodesia.
10.45 These Twenty-Five Years, part 3: Attlee to Callaghan.
11.15 Lakeland Summer.
11.40 Weather/Regional News.

All Regions as BBC1 except at the following times:—

WALES—1.30-1.45 p.m. Fingerbobs. 5.55-6.20 Wales Today. 7.00 Heddiw. †7.25-7.30 Dylanwadau. 11.40 News and Weather for Wales.

SCOTLAND—5.55-6.20 p.m. Reporting Scotland. 11.40 News and Weather for Scotland.

NORTHERN IRELAND—4.18-4.20 p.m. Northern Ireland News. 5.55-6.20 Scene Around Six. 11.40 News and Weather for Northern Ireland.

ENGLAND—5.55-6.20 p.m. Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 a.m. Open University.
11.00 Play School.
4.55 p.m. Open University.
7.00 News on 2 Headlines.
7.05 Looking at Documentary.
7.30 News on 2.
7.40 "Riding South," play by Geoffrey Case.
8.10 Rugby Special: Auckland v. The British Lions.
9.00 Rhoda.
9.25 Six Scenes from a Marriage.
10.15 Rhythm on 2.
10.45 Expressionism.
11.20 Late News on 2.
11.30-11.55 Closedown: Peter Jeffrey reads "Jamaican Bus Ride," by A. S. J. Tessimond.

LONDON

9.30 a.m. Summer School. 10.15 Certain Women. 11.05 Spiderman. 11.30 Time to Remember. 11.55 The Woozles. 12.00 Paperplay. 12.10 p.m. Stepping Stones. 12.30 Elusive Butterflies. 1.00 News, plus FT index. 1.20 Meet Betty Boop. 1.30 Rooms. 2.00 Good Afternoon—a Summer Selection. 2.25 Racing from Redcar. 3.50 Emmerdale Farm. 4.20 Magic Circle. 4.45 Extraordinary. 5.15 Gambit.
5.45 News.
6.00 Mavis.
6.40 Crossroads.
7.05 "Tuesday film premiere: "Shoot out in a one dog town."
8.30 Man About the House.
9.00 ITV Playhouse presents "Ghosts."
10.30 News.
11.00 A Celtic Celebration.
12.00 Star Rider.
12.25 a.m. Close: Prayers for Impossible Days by Paul Geres, read by Valentine Dyall.

All IBA Regions as London except at the following times:—

ANGLIA

10.15 a.m. Roll Out The Barrel. 10.40 Kiddywinkles. 11.05 How. 11.35 Sweet Somerset. 1.25 p.m. Anglia News. 2.00 Houseparty. 5.15 Rolf Harris Show. 6.00 About Anglia. 7.00 Survival. 7.30 The Bionic Woman. 12.00 Night Gallery. 12.30 a.m. Christians in Action.

ATV

10.15 a.m. Something Different. 10.35 The Tomfoolery Show. 10.55 Cartoon Time. 11.00 Animated Classics. 11.45 Oscar. 1.20 p.m. ATV Newsdesk. 5.15 Tuesday's Heroes. 6.00 ATV Today. 7.00 The Many Wives of Patrick. 7.30 Hawaii Five-O.

BORDER

10.15 a.m. Roll Out The Barrel. 10.40 Kiddywinkles. 11.05 How. 11.35 Sweet Somerset. 1.20 p.m. Border News. 2.00 Houseparty. [illegible]

CHANNEL

[illegible]

GRAMPIAN

[illegible]

GRANADA

[illegible]

HTV

10.15 a.m. Roll Out the Barrel. 10.40 Kiddywinkles. 11.05 How. 11.35 Sweet Somerset. [illegible]

The Clown. 5.20 Crossroads. 6.00 Report West. 6.15 Report Wales. 6.30 A Vintage Sunday. 7.00 The Tuesday Action Film: "The Time Travellers." 12.00 In Concert. [illegible]

SCOTTISH

10.15 a.m. Roll Out the Barrel. 10.40 Kiddywinkles. 11.05 How. 11.35 Sweet Somerset. [illegible]

SOUTHERN

10.15 a.m. Roll Out the Barrel. 10.40 Kiddywinkles. 11.05 How. 11.35 Sweet Somerset. [illegible]

TYNE TEES

[illegible]

ULSTER

[illegible]

WESTWARD

10.15 a.m. Roll Out the Barrel. 10.40 Kiddywinkles. 11.05 How. 11.35 Sweet Somerset. [illegible]

YORKSHIRE

[illegible]

RADIO 1 247m

(S) Stereophonic broadcast
[illegible]

RADIO 2 1,500m and VHF

[illegible]

RADIO 3 464m, Stereo & VHF

[illegible]

RADIO 4

434m, 330m, 285m and VHF
[illegible]

BBC Radio London

206m and 94.9 VHF
[illegible]

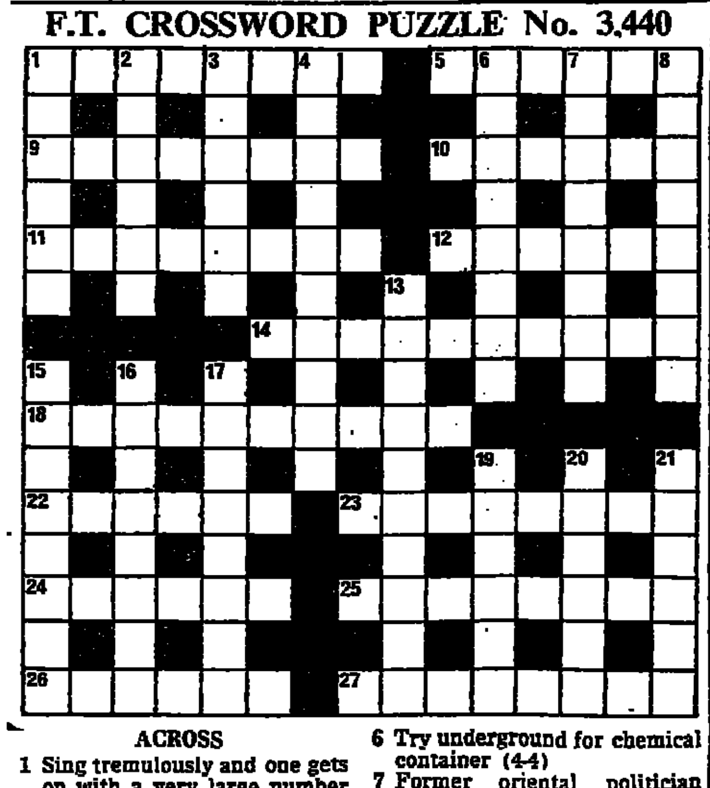
London Broadcasting

261m and 97.3 VHF
[illegible]

Capital Radio

194m and 95.8 VHF
[illegible]

F.T. CROSSWORD PUZZLE No. 3,440



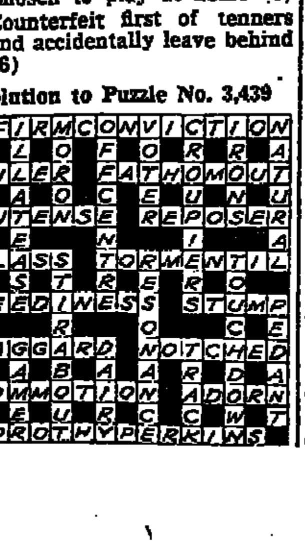
ACROSS

1 Sing tremulously and one gets on with a very large number (8)
5 Running water converted right into vapour (6)
9 Soldier taking volunteer army back is put in a pickle (8)
10 Like sea-bird at back of ship (6)
11 Deep ague as described by Masefield (3, 5)
12 The way up or it's a wonder (6)
14 Receive a fracture and stop work (4, 1, 5)
18 Brought charges against admitting eat as usual (10)
22 Note from wind instrument is rippled (6)
23 Waft about and go for a dance (8)
24 Beast boxer caught could be caustic (6)
25 Stepping out to free from external insect bite (8)
26 Crop up with eastern combine (6)
27 Force totters start taking for scrap (8)

DOWN

1 Wildest test about morning? On the contrary (6)
2 An incursion but it could be no raid (6)
3 Bird allowed around pub (6)
4 Driving but not afraid of the breathalyser (2, 3, 5)
6 Try underground for chemical container (4-4)
7 Former oriental politician gets Ted excused (8)
8 Poisonous root makes sailor duck (8)
13 Could patron be north-eastern commission agent? (10)
15 Early attachment for young beast with nothing added (4-4)
16 Airman with clergyman? That's correct! (8)
17 Using her inside to show the way (8)
19 Moving gradually towards the border (6)
20 Chosen to play at home (6)
21 Counterfeit first of tenners and accidentally leave behind (6)

Solution to Puzzle No. 3,439



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هكذا من الأصل

A Bellini for Birmingham

by DENYS SUTTON, Editor of Apollo

...y of art collecting ...n the U.K. the peak ... in Victorian days ...axy of masterpieces ...re was stupendous. ...890s the exodus of ... varying degrees of ... has been no less ... It is only neces- ...l the prizes secured ... Berlin before 1914. ...rous treasures that ...l the Atlantic. ...ult to sustain the ... any one country ...y the everlasting ...f the works of art ...iod of economic and ...ver it managed to ... other nations. And ...remembered that in ...nt generations have ...ted with opportuni- ...ing the works that ...e country; on most ... these have been ...1. Here I refer to ...ollectors as well as

...policy for the export ...f art is a sensible ...t some items are of ...tance that every ...l be made to retain ...ngland. In recent ...l paintings that fall ...ategory have gone, ...e Radnor Velasquez; ...ood Titian was ...or the National ...t great difficulty. ... fate of another ...ainting of consider- ...tion hangs in the ...his is the *Madonna with Saints and a* ...tarpiece by Giovanni ...1426-1516), from the ...ollection, Cornbury ... has been on loan to ...t Museums and Gal- ...ingham, for some

...ed at over £1m., but ...cured for £400,000, a ...kes into account the ... claimable. It is ...te that this sum is ...,000 more than that ... Think Tank's report ...eign Service! The ... this splendid work ...iam would do much ...n the collection of a ...ch over many years ...notable contribution, ...local art life but to ... country as a whole. ...'s exhibitions have ...siderable importance.

Paintings by Bellini, as hardly requires saying, are of immense rarity and the opportunity that a comparable picture could ever again be acquired is remote. This particular picture is not only an enchanting composition in its own right but of singular significance for the history of the Venetian school, one that has been admired in this country since the days of James I. The painting, signed and dated 1505, was painted when the master was about 70.

One of the most endearing aspects of the picture is that it illustrates Bellini's ability to combine simplicity and sophistication. What could be more charming than the naturalness of the Virgin and Child! A contrast is afforded by the two saints; these men of worldly experience radiate faith. The painting of Saint Peter who is on the left of the Virgin is especially distinguished: it shows that Bellini not only possessed a delicate sense of colour but was endowed with a sure grasp of form.

This altarpiece was painted at a time when fundamental changes were taking place in Venetian art: a concern to blend light and mood and a desire to seek new formal solutions were beginning to engage the attention of the younger generation. The Cornbury altarpiece announces the world of Giorgione and Titian. Evidence of Bellini's eagerness to enrich his composition with fresh devices may be observed in the way in which he has painted the double shadow across the pavement. This is pointed out by Peter Cannon-Brookes in his useful booklet on the painting.

Bellini is one of the most subtle painters of the Venetian school. He had the art to beguile the eye with gentle rhythms. Here he endows the landscape with delectable freshness: the pattern formed by the clouds is in relationship with that of the sculptured relief on the throne on which the Virgin is seated. This is a work that quickens the heart with its vivid evocation of Venetian humanism.

The picture is also interesting from a technical point of view, for it sheds light on the practice of painting during the Renaissance. The master provided the idea for the composition and when the first draft, as it were, had been undertaken by a studio assistant, as was then customary, he then worked over the surface giving it those inimitable touches that could only come from his exquisite brush.

The head of the donor is by another hand: a reasonable assumption is that he did not live in Venice but on *terra firma*.

The history of the Cornbury altarpiece can be traced back to the 17th century and it is mentioned by Ridolfi in his *Le Meraviglie dell'arte* of 1648. It has been in England at least since 1801 and belonged to two famous 19th-century collectors, Dawson Turner, a friend of Cotman, and the fourth Earl of Ashburnham before being acquired by Vernon James Watney in 1899.

The Gallery has until the end of September to raise the money for the picture. Would it not be a good idea if it was placed on view at the National Gallery for a fortnight? Even the Minister of Art and a Treasury official or two might take the time to go and look at it!

Bellini: Madonna and Child with Saints and a Donor

The Entertainment Guide is on Page 42

Grande Parade du Jazz

by KEVIN HENRIQUES

...e Cimiez Gardens and ...oman ruins incongru- ...ed in a wealthy dis- ... above Nice, this ...secutive jamboree of ...ed 11 nights, each ...seven hours of live ...hree separate stages. ...ups such as those of ...espie, Earl Hines, ...ters, Dave Brubeck ...Basie played several ...arena sets over a ...days, sometimes with ...guest instrumen- ...

...what distinguishes ...l from the many ...urope every summer ...tion of a large pool ...s to provide a sub- ...tion of the music. ...atched for compati- ...kely mutual stimula- ...formed into small ...am sessions.

... which particular ...stract from the rich ...ny given time fans, ...remarkably moder- ...day entrance fee ...e ticket was bought and ...estival) consulted a ...which gave starting times, venue and personnel. Then, armed with cameras, recording equipment and thirst-quenching equipment they shuttled between the three locations. Biggest was the main arena stage, also the most comfortable. At the garden stage families stretched out on the grass and enjoyed le picnic with their almost irresistible children and their totally resistible dogs, while at the third and smallest stage most fans had to stand stoically.

After savouring seven consecutive evenings of this veritable jazz bonanza any impression of the whole *Parade* must inevitably be completely personal and arbitrary. But one fact is certain: the Thad Jones-Mel Lewis orchestra is the most creative, the most exciting, the most interesting and most venturesome in jazz to-day. This galvanic 17-piece outfit specialises in compositions (most written specially for it) which have a strong thematic development and which are densely structured. At the behest of co-leader/trumpeter Thad Jones brass or reed sections take turns in supporting soloists with devices such as crash chords, riffs, bridge passages, unison passages. As with all great bands the dynamics are superbly measured and there is a fine array of soloists, the most earcatching of whom is a young, unknown tenor-saxist Ritchie Perry who blows with audicity and almost frightening composure.

While this band proved conclusively that jazz is vibrantly alive and well, numerous individual musicians [illegible] the pool did the same. None more so than violinist *extraordinaire* Joe Venute. Alleged to be in his mid-70s, this irrepressible link with jazz's early years played with infectious agility and swing, even when he casually loosened his bow and wrapped it round the violin.

Two bassists highly experienced Milt Hinton and George Duvivier, shouldered a lot of work but belied their years with the effervescence of their playing and fitted compatibly into any company. Hinton ended one set with the storming Texas blues-singer / violinst / guitarist Clarence "Gatemouth" Brown then carried his bass to an adjoining stage to accompany the more modern styled Clark Terry, Zoot Sims and Ray Bryant.

Drummer J. C. Heard, out of the jazz limelight for many years, was another stalwart rhythm man, always enjoying himself hugely and showing matchless feel for time. Two trumpet delights were the ever probing, never coasting "Doc" Cheatham and the crystal-toned Wallace Davenport from New Orleans who was almost the only artist to remember where he was and announce his programme in French.

There was the striking, huge-voiced Carrie Smith, who runs the gamut from Bessie Smith's "Empty Bed Blues" to pop standards like "Sometimes I'm Happy" with equal facility. Ears were also pinned back by the strong, deep sound of tenor-saxist Arnett Cobb who, despite physical disability, plays with amazing mobility.

Greatest interest among many visitors centred on the reappearance in Europe after a long absence of the almost legendary Cab Calloway, whose major contribution to jazz were the big bands he led in the 1930s and '40s. A dynamic, flamboyant personality the 69-year-old Calloway pleased the lovers of *le show* with the inevitable "Minnie the Moocher" and "It ain't necessarily so" from *Porgy and Bess* in which he starred.

Most of the musicians and singers were American but Sweden, Italy, France and Britain were also represented. Britain sent six leading players of whom Tony Coe (or, as he was invariably introduced, "Coo") on tenor-sax and C clarinet made the biggest impact with, among others, Barney Bigard and "Gatemouth" Brown, as well as being a frequent participant in the impromptu after-hours sessions in two Nice hotels.

Yet in this totally relaxed, sun-blessed atmosphere there were some grating moments. The organisers have yet to mollify the influential local residents and the nearby hospital. British [illegible] Felix, playing solo piano half-an-hour before midnight, was peremptorily stopped after only a handful of numbers. As Charles Mingus, the outspoken Negro bassist and his group played past time, the stage was plunged into darkness. "Looks like a black-out," he shouted. "But for us it's a white-out," he added racialistically. In a local paper he subsequently described the *Parade* as a circus.

Though most of the permutations of musicians seemed felicitous and sparked some creative playing it did seem pointless to get Dizzy Gillespie to blow perfunctorily with the Muddy Waters Blues Band. Then there was the pretentiously-titled New York Jazz Repertory Company, a band assembled from the pool of musicians, which re-created the sound, if not the spirit, of the Basie band of the 1930s and 1940s and later inflicted the same damage on Louis Armstrong's music.

These are small criticisms, though, of this most ambitious of all European jazz festivals where over 200 musicians appeared, close to 100,000 people attended and where all styles (except avant-garde) were represented. The overall quality of jazz heard was surprisingly high which makes it all the more frustrating not to be able to mention more fully such tasty morsels as the joyful reunion of singer Joe Williams with the Count Basie band. Or Williams scat-singing with Dizzy Gillespie who played a Jew's harp for one chorus. Or the astonishing range of Romanian-born singer Aura Rully, soaring in unison with the brass of the Jones-Lewis band. Or former Modern Jazz Quartet leader John Lewis surprising with his agile, almost rollicking piano accompaniments behind Joe Venuti. Or . . .

Wigmore Hall

Anton Weinberg

Since his London debut four years ago, Anton Weinberg has made a reputation for himself as one of our most talented young solo clarinettists—a frequent performer on Radio 3, and a lively champion of new music for his instrument. Earlier this year Weinberg went to Russia, and brought back a number of scores and records not previously heard in the west, three of which he included in his recital on Friday night.

Two were substantial: the most interesting, a short, pungent sonata in two movements for solo clarinet by Edison Denisov — the first, a long melody, by turns dark and thoughtful, quick and shrill, moving for the most part by intervals of less than a minor third, often by quarter-tones, a slow-shifting pattern of colour and timbre; and an urgent spiky finale, returning obsessively to a quiet morse-like motto on a single note. A sonata for clarinet and piano no. 2 op.62 by Frid—presumably a Soviet composer, not the Hungarian Géza Frid (it was announced that no biographical details were known or available)—was a more conservative offering: a solid, well-written essay from the school of Shostakovich, piquantly coloured shot through with a nice vein of dark irony.

Weinberg also included a group of salon pieces in his programme, which he delivered with great sparkle and charm—the first performance in the west of an *Etude on a theme of Rimsky-Korsakov* by the Russian clarinettist Mostras, and a Romance and Valse by Gliere. A new piece too by the young British composer Philip Wilby, *Solo* for clarinet, made a strong impression: a study in timbre and attack which introduced new techniques easily and unselfconsciously, without any sense of gimmickry. The rest of the evening was given to Brahms (the F minor sonata), Lutoslawski, Mendelssohn (the rarely-heard E flat sonata), and to an intriguing arrangement for clarinet and piano by Philip Wilby of the only fragment which survives (a full exposition and three bars of development) of a quintet for clarinet and strings by Mozart: known as K516c—persuasive historical reconstruction, lucidly made. Weinberg's accompanist, at the start a shade nervous, rhythmically blunt, but more confident as the evening progressed, was Wendy Nightingale.

DOMINIC GILL

Letter from Savonlinna—2

Two Finnish operas

These days a successful new opera, one that draws sizeable audiences to its tenth or 20th performance as well as to its first, is rare. A first opera that is successful or even only partially successful in another sense — an opera in which the relationship between music and libretto is necessary rather than casual, in which the composer's command of stagecraft is practical rather than only idealistic — is rarer still. So the two Finnish operas that together made up two-thirds of the opera bill at the Savonlinna Opera Festival excuse a justifiable amount of local pride: for both are first operas, encountered last week several performances on from their premières; both continue to win substantial houses; and both, at the very least, on a single viewing, *work*.

It must be said that they work, and are successful, in different ways and on different levels. *Ratsumies* (*The Horseman*) by Aulis Sallinen (b. 1934), commissioned for the quartercentenary of Olavinlinna in 1975, is an ambitious, at best powerfully expressive work that one guesses capable of communicating its dark Northern fascination to a wider audience than only Olavinlinna's. *Viimeiset kiusaukset* (*The Last Temptations*) by Joonas Kokkonen (b. 1921) seems by comparison less rough-hewn of finish, and at the same time, in matters of subject matter and musical interest, more limitingly localised. Unfolded against the stone walls of the castle, in performances of vocal splendour and dramatic commitment each made on its own terms a definite impact.

The Horseman is part national parable, part symbolist drama—"a tale," in the words of its spoken Prologue, "that tells of a man and a woman, of war, horses, women, luck, death," composed on an original libretto by the leading Finnish poet Paavo Kaavikko. In three acts, situated in a shadowy, unspecified time past, and with events between scenes and acts suggested rather than stated, it follows the fate of the horseman Antti and his wife Anna. At first slaves in Novgorod, prey to the respective sexual proclivities of their merchant owner and his wife, they free themselves by setting the house on fire.

The horseman is forced to become a fugitive, secretly sheltered by Anna, who in Act 2 (set in the historical court of Olavinlinna itself) comes before the judge seeking official confirmation of her widowhood. Their stratagem having been exposed before the court, the couple are imprisoned, and once again contrive an escape. In Act 3, various outcasts gather in a forest "between the robber states, Sweden and Russia"—the spectator begins to perceive that these are the countries meant, though in no fixed, schematic way, by the symbols of corrupt Judge and concupiscent merchant holding absolute sway over Antti and Anna as once those countries held sway over Finland. A brave, doomed march led by Antti on the sheriff of a nearby castle ends in death, total and triumphant, but not meaningless.

To the English reader, wholly dependent on the rather awkwardly phrased translation of Philip Binham, Haavikko's libretto, crammed with loosely knit poetic images, makes on its own a rather imprecise, lugubrious impression. But experienced in conjunction with the music it is transformed, and its virtues become apparent. These include an acute disposition of different dramatic groupings, allowing for monologue, dialogue, ensemble built up by accretion, all economically supplied; a psychological or emotional suggestiveness of the kind music can best amplify; and an enlarging sense of dramatic scale within which the figures in the foreground retail their personal, individual stamp.

It has inspired powerful music. A 20th-century recension of tonality informs Sallinen's three acts—cast, as it were, in a Largo-Scherzo-Moderato three-movement symphony—in which deep pedals move slowly by step, bleakly wide-spaced scoring is touched with acrid or freezing percussion, and vocal figures gradually expand from small figures into broad-spanning melodic shapes. Influences are recognizably Northern, with Shostakovich and Prokofiev stronger than Sibelius; yet they are sufficiently dissolved. At his best, in the second act, the composer commands a sense of timing that takes in spoken dialogue (supported over muttering instrumental ostinatos) without jar, and builds to a gripping climax. Elsewhere, the method of pinning long periods to the same pedal, and of sliding vocal lines up and down a whole-tone scale risks mannerism and monotony. Nonetheless, a first encounter with *The Horseman*, aided by subsequent hearings of it on disc, indicates a composer with a grasp of musico-dramatic dimensions, and an understanding of their purpose, that promise much. By the side of *The Martyrdom of St. Magnus* or *The Ice Break* (to pick only the two most recent British operas), it may be deemed conservative—a view that will not satisfactorily square with its originality, freshness, and potency.

It is a strange irony that whereas the Kokkonen opera (first given in September, 1975, in the tiny Helsinki opera theatre) appeared to expand gratefully in the large open spaces, Sallinen's (planned for Olavinlinna and so far given nowhere else) seemed to cry out for the closed frame of a more conventional stage. The close of each act, especially that of Act 2, was intended to be snapped off dramatically, and was blunted by the want of curtain fall. Strokes of theatrical flair in Kalle Holmberg's production followed others of gaucheness. Such was the intensity of singers and chorus, and of the orchestra under Ulf Söderblom, that flaws vanished from view. Two young basses must soon be heard from outside Finland: Heikki Toivanen, an Antti of rock-solid tone able to warm to touching gentleness, and Martti Wallén, a less powerful singer of sharper, more pungent colour as the Judge — each an actor-singer hugely impressive in both capacities. The Anna, Taru Valjakka, almost painfully expressive of eyes and shoulders, steady and clear of line, is a soprano also worth meeting again. The former Covent Garden Brünnhilde, Anita Välkki, voluptuously ample of figure and voice, was the merchant's wife.

The Last Temptations also summons respect for its sure manipulation of large forces. Based on the life of the revivalist preacher, Paavo Ruotsalainen (1777-1852), a kind of Finnish Wesley, it unfolds in a series of deathbed flashbacks, concentrating on the episodes of suffering and self-doubt out of which his religious conviction finally emerged full-mettled. The work immediately courts comparison with Vaughan Williams' *Pilgrim's Progress*, especially as Kokkonen's tonal idiom meticulously weaves modal cadences, "liturgical" counterpoint, shining, sweeping melody, and a recurring popular Finnish hymn into a two-act cloth of short scenes not unlike its English predecessor.

The principal problem for an outsider, to whom the man and his sect mean little, and who feels little sympathy for the ideals and faith expounded in libretto and score, is that Paavo makes an essentially uninteresting operatic character. His trial of faith is predictable, his ultimate progress to grace assured. The flashback technique imposes a dramatic weight on his inner, psychological life which the music will not fully support. A slightly cynical view might be that Paavo's first wife, left to struggle and die in the plot, and left only half-delineated in the opera, is the protagonist of a more universal and more interesting work still unwritten. Outside Finland, it is hard to imagine Kokkonen's arousing, on the whole, more than respect.

As a vehicle for Martti Talvela, however, it is expertly tailored and he seized it with irresistible force. Not so much actor (some of the facial and bodily tremors that crossed his giant physique in the passage of the evening were a trifle crudely enacted) as galvanic personality, he wrung from the music a superb richness of sound, magnificently tireless, dark and strong. As his first wife, a second star, Finnish soprano Ritva Auvinen (whose 1974 Wigmore Hall recital is still gratefully remembered) sang with exquisite purity and radiance—a born Elsa or Elisabeth, she vivified a part only tentatively adumbrated. Söderblom again conducted a secure, wholehearted performance, in which every detail evinced complete conviction. In its encouragement of this kind of festival ensemble, Savonlinna is an undertaking already as valuable as it is artistically ascendant.

MAX LOPPERT

Martti Talvela

EUROPEAN NEWS

Patronat gloom on industrial recovery

By David Curry

PARIS, July 25.

FRENCH BUSINESSMEN see no hopes of the recovery in industry activity for which the Government is hoping in order to encourage companies to take advantage of its scheme to cut youth unemployment.

The latest survey of business opinion carried out by the official Statistics Institute (INSEE) among 2,200 company heads in July indicates that activity is expected to decline over the coming months.

This finding conflicts with the belief expressed by the employers' organisation, the Patronat, that the autumn should see sufficient expansion to justify the resumption of recruitment by companies. The Patronat which, like the Government, is worried about the political capital the Left is likely to make out of unemployment in next March's general election, has launched its own campaign to persuade industry to take on labour.

According to the survey, business leaders note that activity has already declined over the past few months: that order books are well below normal levels and getting thinner; and that overseas demand is also faltering. A steady string of complaints about excessive stocks is also recorded.

The report agrees with the recent Bank of France survey of industrial activity. A similar view of how the economy would develop was the basis of the OECD's section on France in its latest economic report. This saw growth struggling to climb above an annual 3 per cent. in the first half next year with employment edging upwards.

The Government believes that the OECD report is too pessimistic and thinks that the increases in wages and benefits already decided, or to take effect in the autumn, will stimulate consumption and work through into output.

It is still disposed to be immensely cautious about any general reflation, although at the end of last week it took two small measures to improve company finances. It released an extra Frs.500m. (£60m.) for short-term export credits for small companies and permitted a further Frs.500m. to be advanced in loans beyond the credit ceiling to small building and public works concerns in the more rural regions.

However, with its severe controls over money supply the Government has so far refused to agree to a more general loosening of credit restrictions and has shown no signs of willingness to relax price controls further to aid company cash flow.

The youth employment scheme takes the form of exemption from Social Security charges until the end of next June for companies hiring young people for a minimum of six months between now and the end of the year.

Danish industry fails to fulfil expectations

Expectations in Danish industry of increased output in the second quarter were not filled and, in the third quarter, output is expected to decline, according to the Bureau of Statistics' manufacturing industry July expectations survey, Hilary Barnes writes from Copenhagen. Both domestic and export orders fell in the second quarter, which was against the expectations expressed in the April survey. In the current quarter, domestic orders are expected to decline again while export orders should recover slightly.

Embarrassingly good trade surplus for W. Germany

BY JONATHAN CARR

BONN, July 25.

WEST GERMANY'S trade surplus in the first half of this year rose to DM18.4bn., against DM16.2bn. in the same period of 1976. Its current account surplus is running at the same level of DM5.5bn.

These figures, released by the federal statistical office to-day, are likely to be viewed with some embarrassment by the Government.

When put under pressure by its partners to do more to reflate *its economy* and help the export prospects of weaker trading nations, Bonn has generally replied that it has given all the internal stimulus it can.

It further argues that the current account figures (the visible trade balance less items like services and transfer payments) are the truest guide to West Germany's payments position with its partners. Here a DM25.1bn. surplus in 1974 was cut to DM9.5bn. in 1975 and to DM8.5bn. last year. The first half figures now show this trend has come—temporarily at least—to a halt.

West Germany has indeed been importing more this year—for a value of DM116.2bn. in January-June, against DM107.2bn. in the same period of 1976. But exports have jumped over those six months to DM134.6bn., against DM123.5bn.

The June figures alone show a trade surplus of DM2.9bn.—down from DM3.6bn. in May but well up on the DM2.0bn. result for June, 1976. The current account surplus totals DM0.8bn., against DM0.2bn. in June last year.

Despite these export results, German industrialists are expressing increasing dismay at the continuing fall of the dollar—which has dropped by some 4 per cent. against the Deutschemark since the start of this year and more than 1 per cent. in the last week alone.

At the week-end, the Finance Minister, Herr Hans Apel, said in an interview that he thought German exporters would be able to cope with the relative increase in the price of their products, just as they had in the past.

But the Federation of German Industry warned to-day that the rise in the currency, and the increased difficulties for exporters it implied, would make it harder to solve urgent economic problems at home like unemployment.

In its own review, the Economics Ministry to-day admitted that the reduction in the number of jobless this year (to 931,000, or 4.1 per cent. of the labour force) has been very largely due to seasonal factors.

And in a letter to the chairman of the Government's Council of Economic Advisers, the Economics Minister, Herr Hans Friderichs, poses a pointed series of questions: why, he asks, does the Council feel that economic growth this year is not meeting expectations; what are the grounds for investment restraint; and what measures are needed ot see growth and employment objectives fulfilled?

It is not clear when the Council will reply. Its next report would not normally be due until November. But these are all problems the Government itself will have to face after the summer break. The belief is growing in Bonn that further measures to boost the economy will then have to be considered—though there is as yet little agreement on what those measures might be.

NFU head hits at EEC critics

BY REGINALD DALE, EUROPEAN EDITOR

SIR HENRY PLUMB, president of the National Farmers' Union, yesterday called for political support and enthusiasm for the EEC, and in particular for the Common Agricultural Policy. In a speech to members of the Bow Group, he accused anti-marketeers of distorting the truth and damaging Britain's relations with its European partners.

Anti-marketeers quite falsely accused the CAP of raising food prices in Britain, he said, while accepting "humiliating" EEC subsidies of more than £1m. a day at the expense of British farmers.

They ignored the fact that goods not covered by the CAP, such as tea and coffee, were the real culprits. Nor are they any more honest about the striking advance in our trade with the Community following the understandable deficit of the first two years of adaptation to new patterns of imports," he went on.

The CAP needed the support of strong regional, social and economic policies, he said. "It will take time and patience. Who but a fool would expect nine nations, eight of them so recently at war, to behave like a Board of directors in so short a time?"

The NFU had supported Europe because it believed that the partnership was in the best interests of the nation and therefore of farming. "We still do," he added.

The coincidence of a world recession triggered by the rise in oil prices, a series of Russian harvest failures and mismanagement of the economy at home had produced the currency crises and *inflation* on which the anti-Europeans mainly relied for their ammunition.

But the CAP was the victim, not the culprit. So long as the disparity in exchange rates and inflation remained, the CAP would not work as it was intended to. Until countries were prepared to balance strong and weak currencies—as the British Government at present refused to do—wide variations in returns to farmers would continue.

West German butter exports to the U.K., for example, had risen in the past few years from practically zero to 43,000 tonnes last year, Sir Henry said. The effect of the use of the Community's "green currency" is Germany's strong economy was to encourage milk production to the point where producers were receiving £2.135 a tonne for butter.

In Britain's weak economy, where the Government refused to square the green pound with sterling's market value, farmers received £1.142 a tonne. "Last year we imported £500m. worth of dairy products we should have produced ourselves," he said.

Portugal plan debate 'postponed'

BY DIANA SMITH

LISBON, July 25.

SOURCES close to the minority Socialist government indicated at the week-end that parliament would end its specially-extended July session at the end of this month, instead of carrying on into August.

Thus the government's 1977-80 plan—which covers income, wage and investment policies, plans for social services, industry and regional development—will not be debated until parliament re-opens in October.

The two-month postponement of debates on the plans will give the government—and the opposition—time to take a closer look at the three-year plan's shortcomings. The 19-volume document is expected to undergo several changes before it is put before the 263 deputies in the Autumn.

The Social Democrat PSD, whose backing of the government's crucial Land Reform Review Bill guaranteed its safe passage through parliament last week, is expected to press for substantial alterations in the provisions in the three-year plan for private industry and private management, responding to widespread criticism by the private sector that the plan neglects their interests.

The PSD has also pressed for rapid debate and voting of a compensation law for shareholders, proprietors and farmers who lost their assets during the 1974-75 nationalisation or expropriations. Many people are not happy with government proposals to pay compensation in State Treasury Bonds (at rates of interest ranging from two to 20 per cent.), or by facilitating bank credits (as long as the relevant sums are invested by the beneficiaries).

The compensation bill is due for debate this week, and is still being examined in committee. The question of compensation for farmers from abroad is a matter of some controversy, not only because the farmers (about 30 in number) have become impatient with successive delays in legislation and handling of their cases, but also because there is still some doubt as to whether special concessions should be made to foreigners, whose number is much smaller than that of the many hundreds of Portuguese businessmen, shareholders and farmers also waiting for compensation.

Rise for 700,000 Swedes

BY WILLIAM DULLFORCE

STOCKHOLM, July 25.

THE 700,000 local authority employees in Sweden have obtained an average pay increase *of 10.8 per cent. after months of* protracted negotiations. All unions have accepted an arbitrator's final proposal, apart from that of hospital nurses, which will decide within the next ten days whether to take the 15 per cent. improvement agreed by their negotiators or to go on strike.

The overall settlement, backdated to July 1, will cost Swedish local authorities an extra Kr.1.8bn. (£240m.) this year. Although higher than the 8 per cent. increase suggested as a guideline by Mr. Gösta Bohman, the Economy Minister, at the beginning of the year, the new payroll level had been anticipated in most authorities' *budgets.*

Both sides agreed that an exception had to be made for the nurses, whose relatively low pay has led to a serious shortage of qualified hospital staff. The nurses asked for increases of up to 40 per cent., and their leaders yesterday expressed dissatisfaction with the average 15 per cent. improvement allowed for in the final proposal.

The settlement would give trained nurses a basic monthly income of Kr.4,031 (£540), while a sister with supplementary training would earn Kr.4,500 (£604) a month.

Albania 'expels' Chinese experts

By Paul Lendvai

VIENNA, July 25.

THE CHINESE experts in Albania, whose number is estimated to be between 1,000 and 2,000, are now reported to have been told by the authorities to leave the country, according to reports from Yugoslav sources.

The move comes after recent veiled attacks by the Albanian Communist Party newspaper on Chinese foreign policy. Ever since the Albanian break with the Soviet Union in 1961, China has been the main source of capital and expertise for the tiny Adriatic country with a population of 2.4m.

According to the latest available reports, China, in the first half of the 1970s, accounted for half of total Albanian trade. The country's largest textile *plant, as well as power stations* and other installations, were built with the help of Chinese capital and experts.

It is also understood that about 100 Albanian students who have been studying in China have been instructed by Tirana to return home.

The termination of Chinese assistance comes after a period of cooling in Sino-Albanian relations. The fact that the Soviet and East European Press recently reprinted parts of the Albanian broadside against Chinese foreign policy is regarded among Yugoslav observers as a sign of keen interest by the Soviet bloc in using the conflict between Albania and China as a lever to re-establish contacts with Albania, which left the Warsaw Pact in the autumn of 1968 as a mark of protest against the Soviet invasion of Czechoslovakia.

However, the Albanian Press has continued to attack "Soviet revisionism" and "social imperialism" while the dispute with China has not degenerated into name-calling.

Hungary attacks Carrillo

By Our Own Correspondent

VIENNA, July 25.

THE HUNGARIAN Communist leadership, which has up till now taken a relatively moderate line on Eurocommunism, has for the first time publicly criticised Sr. Santiago Carrillo, Secretary General of the Spanish Communist Party.

In a long article published yesterday in Nepszabadsag, the party paper, Dr. Janos Berecz, head of the party Central Committee's foreign affairs department, warned that anti-Sovietism is the most dangerous tool of the bourgeoisie to divide the communists."

Mr. Berecz—clearly reflecting a high level change of emphasis, announced that the term Eurocommunism was "invented by bourgeois propaganda to exaggerate the divergencies and to incite differences between the parties."

Dr. Berecz warned Western Communist parties that it was a serious mistake to assume anti-Soviet statements could lastingly enhance any Communist party's *influence with the working* people.

Hitherto, Hungary has taken a moderate stance in the debate between Moscow and the Spanish Communist Party, and there was even speculation that the Hungarian party leader, Mr. Janos Kadar, might try to mediate in the dispute.

As recently as June 30, that is a week after the Soviet attack on Sr. Carrillo, a West German daily carried an interview with Mr. Kadar in which he stressed the freedom of each party to seek the most suitable road to socialism.

OVERSEAS NEWS

Tenuous ceasefire begin[s] between Libya and Egy[pt]

BY MICHAEL TINGAY

CAIRO, J[uly 25.]

A CEASEFIRE announced last night by Egypt's President Anwar Sadat appeared to have taken effect to-day after six days of fierce clashes on both sides of the Libyan-Egyptian frontier in the Western Desert. Mr. Sadat called for a halt to all military operations soon after the arrival in Egypt of President Houari Boumedienne of Algeria, who departed to-day after talks with the Egyptian leader.

Twelve hours after the ceasefire announcement, however, there had still been no unequivocal response from the Libyan Government and Tripoli Radio was still broadcasting appeals for Arab volunteers to come to Libya to help repel what was described as the Egyptian invasion.

Reports of losses have been contradictory. Libya claims that during the recent fighting 14 or *more Egyptian aircraft were* downed, including one in a dogfight over the Kufra Oasis, 500 miles south of the Mediterranean coast, the rest including Soviet-made jets from ground-fire and four Mirages. However, these claims have not been backed so far by evidence beyond an interview with one Egyptian pilot and the naming of three Egyptian prisoners, captured during an attack on al-Jaghboub Oasis 20 miles inside Libya and 150 miles from the sea. For this reason observers here regard Libyan *claims as exaggerated.* Egypt has admitted the loss of two Sukhoi-20 bombers in attacks on al-Adem air base, a former British installation south of Tobruk.

Libya's official news agency, ARNA, announced that "President Sadat has declared war on Libya" and charged that Egypt's 1976 defence pact with Sudan had been put into effect in the "aggression against Libya." *Libya claimed that a captured* Egyptian pilot had [...] that his mission had [...] a base in Sudan where [...] across the border to ra[id]. Despite Egyptian pro[...] Libya started the figh[ting] border clashes which th[e] authorities apparentl[y] responsibility for, there [...] evidence of long pr[...] prior to the fighting o[...] part. In May Egypt ha[d] strongly to a Soviet n[ote] Egypt interpreted as [...] Moscow had warned [of] *dangers of taking milit[ary] against Libya.*

JAMES BUXTON ADDS: [...] sour Khalid, Sudan's [...] Minister, denied in Lo[ndon] Sudanese forces ha[d] engaged in the fightin[g] Libya, and that Sud[an] force bases had been u[sed]. Of Sudanese involve[ment] response to President [...] verbal support for Sadat, he said.

Begin blames tensions in U.S. relations on Labour policies

BY DAVID LENNON

TEL AVIV, J[uly 25.]

MR. MENAHEM Begin, Israel's Prime Minister, to-day attacked his predecessor, Mr. Yitzhak Rabin, for having caused a confrontation between Israel and the U.S. because of his attitude during talks with President Jimmy Carter in Washington in March this year.

Speaking on his return here after a 10-day visit to the U.S., Mr. Begin claimed that the major achievement of his trip was to end this confrontation and to establish warm personal relations with President Carter. In New York before his departure, Mr. Begin conceded that he and President Carter had disagreed on some points, and observers took this to mean the future of Palestinian Arabs.

During a Press conference at Ben Gurion airport this afternoon, Mr. Begin accused the Labour Party of "irresponsibility" for having leaked details of his peace plan to the Press while he was still in Washington.

The Prime Minister was also scathing about the previous Government policy of seeking to go to the Geneva peace conference only after it had won U.S. backing for Israel's position. This, he said, had led it into confrontation with Washington. The Labour Government knew that its plan for a settlement on the West Bank was totally unacceptable, Mr. Begin said.

Mr. Begin said one of the major achievements of his visit was the agreement between Israel and the U.S. that the purpose of Arab-Israel negotiations was to sign peace treaties. This remark implies that partial or interim agreements have been ruled out for the present.

Reuter adds: Both King Hussein of Jordan and President Hafez Al-Assad of Syria have dismissed Mr. Begin's proposals.

Both were repl[ying to] questions put by [...] magazine. King Hus[sein] said in Amman v[...] reaction was to reports [...] peace proposals—a de[...] drawal in the Sinai[...] limited one on th[e] Heights, and a semi-au[tonomous] West Bank linked to J[ordan] with Israel respons[ible for] security.

The King replied: "[...] nothing in this that [...] dignified with the te[rm] plan. These are w[hat] extreme Israeli positi[ons] (represent) an all too fr[...] diplomatic device to [...] real issue."

President Assad [said in] Damascus that the Begin [plan was] a *non-starter* and [...] rejected by us ... suc[h] cannot be described, [...] remotest stretch of the [imagina]tion, as a peace plan."

Pretoria schools boycott

BY QUENTIN PEEL

JOHANNESBURG, July 24.

THOUSANDS of black school students boycotted their classes in the Pretoria township of Atteridgeville to-day, and black consciousness organisations appear to be stepping up their campaign against the South African authorities.

The boycott coincided with a student ultimatum in Soweto to the township's traffic police to stay off the streets. The students suggested they may attempt to force mass resignations of black policemen.

The Atteridgeville students are following their fellows in Soweto in urging school boards to resign, because they are seen as a key element in the whole system of Bantu education. To-day's boycott was described as another general protest at the segregated educational system, and classes were reported empty in more than 20 schools.

Most school board members have already resigned in Soweto, and in the Pretoria township of Mamelodi. The students claim that in their absence the whole tribal segregation of schools—separating Zulus, Sothos, Vendas, and so on—will *collapse.*

The threat to traffic police in Soweto followed the arrest last week of eight students for allegedly assaulting a traffic officer, whom they accused of raping a schoolgirl. The student ultimatum was for all traffic police to stay off the streets until the eight were released.

Malaysi[a] bombar[ds] guerillas

Malaysian artillery [...] blasted jungles in Beton[g] in southern Thailand [...] Malaysian and Thai tro[ops] advancing in a joint [...] on Communist guerill[as], Reuter reports from B[angkok]. Thailand, Military offic[ials] said troops had advanc[ed] more than 30 miles deep [into a] salient—a large slice of [Thailand] jutting into Malaysia. [...] while, fighting on a n[ew front] broke out on the Thai-C[ambodian] border for the second t[ime this] week. Military sources [...] kok yesterday reported [...] least eight Thai [...] killed, UPI reports.

Sri Lanka calms down

BY K. K. SHARMA

COLOMBO, July 26.

THE SMALL Sri Lanka army of 18,000 men has been deployed in six areas where violence flared after the general election on Thursday to help police maintain order. The situation to-day was considerably more stable. There have been minor clashes between rival political groups *but no further deaths have taken* place.

But the death toll until last night was 17, according to Colombo police headquarters. Taken with the political murders before polling day, the general election has cost 31 lives. Police do not attach importance to this, since they expected some blood-letting after the election.

Such political vendetta is apparently common after elections and the violence this time was not as widespread as after the 1970 election, when almost *the entire island was up in arms.* The victims are mainly favourites of the newly-defeated Sri Lanka Freedom Party *of the outgoing* Prime Minister Mrs. Bandaranaike, and the people they have harmed are settling old scores.

Thai fishing deat[hs]

Vietnamese gunboats [attacked a] Thai fishing boat, killi[ng ...] fishermen, and captured [the] boat in the Gulf of Th[ailand, the] Fish Marketing Organisa[tion said] yesterday, Reuter repo[rts from] Bangkok. A spokesman [said] the incident took place o[...] in Thai territorial water[s off an] island south of Songkhla.

ON OTHER PAG[ES]

International Company N[ews]
MBB earnings forecast
Woolworth's South Afri[ca] results ....
Farming and Raw Materia[ls]
Malaysia palm oil
India jute mill closures .

David Lascelles reports on Comecons ambitious long term standardisation programme

A communist quest for common standards

AS EVERY schoolboy is supposed to know, you have to change trains when you go to Russia because the gauge there is three and a half inches wider than in Europe. Actually this is no longer quite true because new technology enables carriages to be jacked on to different bogies in only a few minutes. And in Poland there are even special wide-gauge lines to take Soviet goods trains.

But despite this glaring discrepancy—which goes back to Tsarist Russia's fears of a train-borne invasion—the Soviet bloc is deeply committed to the quest for standardisation. In fact by the end of this century it will have a far more thorough and strict set of standards than the West is ever likely to have.

For a start, a Comecon statute of 1974 makes all standards compulsory. In the West, standards are voluntary, though obviously it is in a manufacturer's interest to observe them. Secondly, in the Eastern bloc the preparation of standards is a major Government activity: the chief of the Soviet standards authority, GOST, has ministerial rank. In Britain and most Western countries standardisation is handled by independent institutes.

Standardisation is in any case desirable in a planned economy. It is particularly desirable where a number of such economies are trying to coordinate their activities and Comecon's ambitious standardisation programme, extending to 1990, is designed to help economic integration in the region as well as improve efficiency. Standards also need to be applied strictly by government in Comecon countries, because of the absence of other pressures, such as market forces, to make manufacturers observe them.

Military equipment is less significant in this programme than one might expect because most of such equipment is made by the Soviet Union to its own specifications. What other countries do produce is made to special military standards which differ from civilian ones. This is not unusual. The British Ministry of Defence has its own standards.

Besides evening out differences between member countries, Comecon standardisation is also aimed at harmonisation with standards in the outside world. The Russians have always been keen on this, and in fact are one of the so-called Big Five, with Britain, the U.S., France and West Germany. The chairmen of the two main world standardisation bodies, the International Organisation for Standardisation (ISO) and the International Electrotechnical Commission (IEC) are both currently Russians.

NUMBERS OF STANDARDS PUBLISHED AT THE END OF 1975

Bulgaria	10,180
Czechoslovakia	13,304
Hungary	8,766
East Germany	11,000*
Cuba	405
Poland	8,910
Soviet Union	20,960
Romania	9,534
For comparison:	
Britain	6,900

* Estimate based on the number of DIN standards published in West Germany.

This desire to harmonise standards with those outside the Soviet bloc reflects Comecon's desire to absorb Western technology and equipment, and to give its exports the best possible chance on world markets. It may also have something to do with planned economies' untiring quest for "tidiness."

Inevitably the Soviet Union has dominated Comecon's internal programme. In line with its well-known independent stand on foreign affairs, Romania has thus refused to sign the statute which makes standards binding and will only use Comecon standards "at the discretion of *the competent authorities.*"

Soviet pre-eminence is not only due to its political weight, however. When East Europe first started to draw up standards 20 years ago, the USSR was—with East Germany—the only country to have anything approaching a proper system. East Germany had inherited the Deutche Institut für Normung (DIN) system which it still shares to a large extent with West Germany. The other countries had a mixture of international and other standards.

Russia has also imposed its will by virtue of being the largest importer of manufactured equipment in Comecon. Since its orders carry Soviet specifications, it has become the largest exporter of standards.

Comecon officials are currently concentrating on 17 fields they aim to standardise by 1980, including vital activities like chemicals, metallurgy, atomic energy, engineering, electrics and electronics, food and agriculture.

But it is a massive task. To achieve a single standard, officials have to sift through the individual standards of all Comecon members—and these number over 83,000, plus any number of standards which are particular to a certain industry or, as in the Soviet Union, a certain region.

The resulting common denominator must then be matched up *with international standards be*fore it is submitted to Comecon members as a recommendation.

By the end of 1975, Comecon had managed to hammer together about 220 standards, and was hoping to double the number in 1976. But the number of recommendations made had topped 5,000, which suggests that standards could soon come thick and fast.

It is hard to make international comparisons about levels of standardisation, because standards vary considerably in scope. *British standards* tend to be wide-ranging, West German very specific.

Even so, it is clear that Comecon is aiming for a very high level of standardisation. The Soviet Union already has three times as many standards as Britain and twice as many as West Germany. And Comecon's 1990 target of 10,000 standards compares with the 2,500 so far published by the ISO.

Standardisation, of course, limits freedom of choice, which is why it is not taken to such lengths in the West. But if there is a disadvantage for Comecon countries, it is the bureaucratic interference industry will have to cope with when every single part, nut and bolt has, by law, to meet a set standard. This could offset some of the benefits, like rationalisa*tion, that standardisation brings.*

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Iranian lawyers join dissident campaign for human rights

BY ROBERT GRAHAM, MIDDLE EAST CORRESPONDENT

TEHERAN, Jul[y 25.]

A GROUP of Iranian lawyers has come out with a strong declaration calling for proper observance of the rule of law and the freeing of the judiciary and legislators from the grip of executive power in Iran. Their declaration, the latest move in the recent upsurge of demands for greater observance of human rights in Iran by dissident groups, is probably also the most significant. It has been signed by 64 lawyers and, though intended primarily for lawyers, has been widely distributed—to *government officials* among others.

The declaration expresses its concern at the inroads made over the years by the executive into both the judiciary and the legislature, so much so that the latter have become merely arms of the executive. The declaration points out that this is contrary to both the spirit and letter of the constitution.

It calls for the independence on the judiciary and the freeing of the legislation from the control of the executive powers through properly held elections so that it can play its proper role as a model of "national thinking and national decision-making."

The declaration calls specifically for the abolition of all "extra constitutional courts." Apart from the special military tribunals, it is referring to a whole series of special courts established in recent years. These include tax courts, presided over by three judges of whom only one is drawn from the judiciary, and which are held under the auspices of the Ministry of Finance.

The declaration was prompted by the Ministry of Justices attempts to carry out a sweeping series of judicial reforms. But the courage to make it has clearly been strengthened by various other letters of protest which have begun to circulate in the past two months. At the end of May, 54 lawyers sent a telegram to the Director of the Shah's Special Bureau, Mr. Nasratollah Moinian, calling his attention to the hasty way in which these reforms were being pushed through Parliament. Indeed three important justice bills passed through the Senate judicial committee in five minutes, according to lawyers involved in the telegram.

The declaration itse[lf was] issued on July 12 after a [...] in a Tehran hotel. The [...] main concern is that un[der the] guise of promoting [...] *reform,* the authoriti[es are] merely making the j[udiciary] even more subservient [to the] executive.

For instance one bi[ll out]lines a proposal to [set up] arbitration councils with [govern]ment-appointed personnel [to deal] with civil and criminal [cases] concerning crimes involvi[ng small] sums of money, while [...] deal with offences commi[tted by] the poorer segment of th[e popu]lation. The reforms woul[d,] the lawyers say, dimini[sh the] authority of the Supreme J[udicial] Council which acts as a [check] on the competence and d[...] of lower courts.

The increasing boldn[ess of] such declarations as this b[y dissi]dent groups has not ye[t been] openly challenged by th[e Gov]ernment. Oblique refere[nces to] their existence, howeve[r, were] *given in recent comments [by the]* Prime Minister, Mr. Amir Hoveida, who, without m[ention]ing a letter signed by 40 [...] calling for creative fr[eedom,] talked of the need for [...] freedom of expression.

هكذا من الأصل

OVERSEAS NEWS

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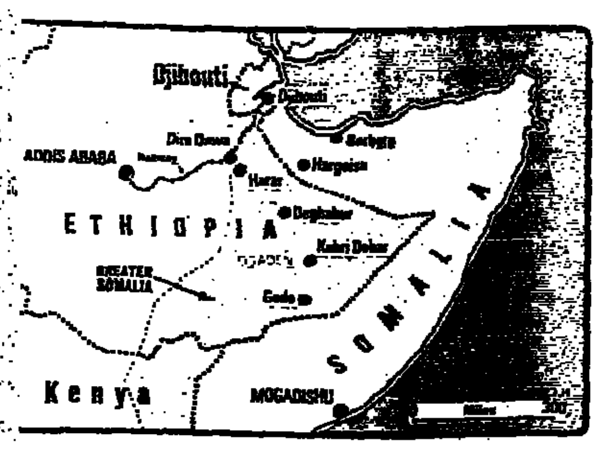
…ES BUXTON



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had some successes against the guerillas.

The degree to which regular Somali forces are involved in the conflict is not clear. The guerillas, who are said to number about 3,000, are supported by and to large extent controlled from Somalia. Somali officials have admitted that Somali troops on leave have been allowed to "volunteer" to join the guerillas and to defend what many of them regard as their homeland from Ethiopian attack.

Somali official sources suggest that Ethiopia is claiming that Somalia's armed forces are engaged on a large scale in order to provide a pretext for a possible pre-emptive strike against Somalia itself. The Ethiopian government is in a serious military situation because apart from the loss of territory in the Ogaden region it has suffered serious setbacks from the guerillas fighting in Eritrea.

To meet the deteriorating situation Ethiopia announced over the week-end a restructuring of the command structure in the armed forces. Two overall new commands have been created, one in the north and one in the south-east, and the newly formed militia, which is to back up the regular army, has been divided into five divisions.

Though the Ogaden region is thinly populated and apparently worthless, it is regarded by Somalis as an integral part of their country. Many Somalis originate from the area, part of which came under Ethiopian control at the end of the 19th century as part of an agreement with Britain. It is considered a promising area for oil and gas exploration.

blames tensions
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Schools boycott

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…NETH RANDALL

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There is also a belief that confining initial development to Ranger will help to blunt the threat in the Labor Party's new policy that a Labor government would repudiate any commitments to mine, process or export uranium.

The Government's obligations in the case of Ranger will be defined legally and, presumably, breaches would carry substantial penalties.

Most of the new studies now being prepared for the Cabinet deal with aboriginal and environmental issues, where Mr. Fraser is determined to make the Government's case as watertight as possible against critics.

The biggest difficulty in prospect is with the safeguards policy already announced by the Prime Minister. Its key elements, borrowed from U.S. President Jimmy Carter, have made negligible progress towards acceptance with the main potential buyers of uranium.

West Germany's Minister of Economics, Dr. Hans Friderichs, discussed the safeguards policy with Mr. Fraser and other ministers during a visit to Canberra last week and, although details have not been disclosed, is understood to have registered strong reservations about the policy as it stands.

Dr. Friderichs did, however, offer German support for the idea of a general trading agreement between the EEC and Australia, along the lines of the one already signed with Iran, and aiming particularly to make access easier for agricultural goods.

lawyers join
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…bts grow on Bhutto …icipation in new poll

…OWN CORRESPONDENT RAWALPINDI, July 25.

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court that several of Mr. Bhutto's ministers were involved in the massive rigging of a by-election in Lahore in 1975. The allegations come from Ghulam Mustapha Khar, a former aide to Mr. Bhutto and once Governor of the Punjab, but who fell out with him while in power. The ministers have been mentioned by name.

A probe has also been ordered into charges that a large number of arms which were in the hands of the Federal Security Force, an agency set up by Mr. Bhutto and under his personal control, were distributed among his party workers during the opposition's agitation against his rule.

Guinea-Bissau, receiving little Soviet aid, is broadening its contacts with the West. **Susan Morgan** reports.

Developing a parlous economy wracked by war

A CLASSICAL colonial backwater—that is what Guinea-Bissau, once a slaving post on Africa's west coast, was under Portuguese rule and that is what it was three years ago when it joined the ranks of Africa's independent states. Indeed, it was even worse than that, for when the PAIGC, the African liberation movement which is now the Government, took over, such "economy" as there was had also been racked by war.

Agriculture is given priority by the new government, because, as President Luis Cabral says ruefully, "we have little else." Not only did the Portuguese totally fail to develop the country, which has none of the wealth of Mozambique or Angola, but the President told me, "we ourselves blew up the bridges and sabotaged roads and communications during the liberation struggle. We still have to rebuild them. We have great problems of infrastructure, cadres and equipment—the Portuguese left us destroyed."

Socialist

The numbers of young "amputees"—part of what is dubbed "the sacrificed generation"—attest to the human cost involved in liberation.

So parlous was the state of the economy that in 1975, imports at $35m. were six times greater than exports. Two thirds of exports are groundnuts and the drastic trade imbalance is expected to persist. The country has no industrial base—merely one modern factory and brewery designed for the Portuguese troops.

The PAIGC Government, like its counterparts in Angola and Mozambique, is firmly socialist and initially turned to the Soviet Union for aid. But little help was forthcoming, while there has been increasing dissatisfaction with the Soviet attitude to the country's scarce fishing resources. Guinea-Bissau has thus been broadening its contacts with the West.

Its Minister for Economic Planning, Dr. Vasco Cabral, was in Britain recently, especially interested in fishery protection vessels—the country has none, and its waters are being fished, some believe to "extinction" within a few years, by Russian and other trawlers. Britain's aid to the country is £1m. in capital grant. Recently Sweden and Holland have provided general aid of $10m. and $8m. on an annual basis and the European Development Fund of the EEC is contributing nearly $8m. this year for projects including port development and cotton growing.

M. Robert Galley, the French Development Minister, recently had the kind of glowing reception in Bissau that would have been unthinkable at independence when friendships were limited strictly to the socialist camp; Guinea has also been attending Franco-African summits—including one in Dakar earlier this year—despite explicit Soviet disapproval. Pragmatic economic considerations also underlie the recent rapprochement with neighbouring and conservative African states such as Senegal, which permit Guinea to participate more fully in regional development projects.

Though President Cabral assured me that these new links with the West "do not imply a diminution of friendship with former allies," nor a dilution of Guinea's socialist stance, in fact, relations with neighbouring Conakry—PAIGC's main base during its liberation war—have now cooled to the point where full diplomatic links have lapsed for over a year.

Over-fishing

But the major problem has been with Russia—a major ally at independence. The Soviets still provide arms, including two new MiGs after one of the original three crashed recently. But Bissauans are very unhappy about fishing agreements signed with the Russians for their territorial waters; they are currently breaking off the latest joint-venture accord—only renegotiated last November.

Though President Cabral said tactfully: "We are sure that our Soviet friends are open to any revision that experience might show to be necessary," others complain bluntly about over-fishing (one fishing source said three Russian trawlers take 30,000 kilos a day each). The national newspaper O Pincho, run by Madam Cabral, the President's wife, has been carrying stories and photographs of chronic shortages of fish in Bissau markets—implicitly accusing the Russians. An EEC fishing delegation to Bissau earlier this year described the situation as "catastrophic" and warned that at present levels of exploitation there was only a four-year supply of shrimps left.

"It is now imperative for us to feed ourselves," President Cabral said. With Chinese help and thousands of soldiers mobilised in the countryside, Guinea's farmers hope to be self-sufficient in rice, a national staple, in two years.

The country has been spending 20 per cent. of its import bill on rice. A major problem here is seepage of sea-water into paddy fields once during the war peasants left the land and the dykes to fight. Much of the land—from the air seemingly limitless—is dominated by great mangrove swamps and criss-crossed everywhere with rivers and marshes—is at or even below sea-level. Other projects include cotton in the north east, sugar plantations aided by the HVA of Holland, oil-palms, groundnuts and tobacco.

But the problems are immense. There has never been a census nor a development plan. As President Cabral said: "We have of course opted for a planned economy but are very far from having achieved it." The emphasis is on decentralisation, largely to avoid a drift to the towns where there is already high unemployment. Plans are for small agro-based industries, tied in with agricultural projects in the country's nine semi-autonomous regions.

But there is a chronic shortage of trained manpower (Bissauans are trying to redress this by taking scholarships everywhere); a literacy rate of 5 per cent.; a shortage of money (soldiers have not now been paid for between six and nine months); and such serious health problems that it is estimated that 50 out of every 100 children born die before adulthood.

To avoid hoarding and speculation, a state-run chain of around 120 "people's shops" has been set up, dealing in basic commodities such as rice and sugar, sold at fixed prices. But marketing networks were largely destroyed during the war and many Bissauans, eyeing their empty shelves feel the shops add to rather than solve problems. The general orientation of the economy is somewhat ambiguous. On the one hand it has elements—such as nationalisation and people's shops—characteristic of state capitalism; on the other, private traders are allowed to function while the country is heavily dependent on aid from the West.

Reforms

A similar state of flux exists on a political level, as the PAIGC tries to turn itself from revolutionary liberation movement to the problems of government. In last December's elections, though obtaining an overall vote of 80 per cent., in some areas of the country the party only received a vote of confidence of around 50 per cent.—despite a second vote. Sr. Jose Araujo, Minister without Portfolio and chief ideologue of the PAIGC attributed this to the persistence of tribalism in areas not controlled by the end of the war—and to local party leaders dragging their feet.

A much needed clarification of the PAIGC's strategies and policies should come out of the third party congress planned for November this year, the first since independence and "long overdue," according to President Cabral.

A new post-independence programme is slated. As President Cabral explained: "The structure of our party was set up for the struggle of national liberation — it now needs to be adapted to the current political realities of Guinea Bissau." This will mean reforms inside the country—there are still no regional committees for instance—as well as "ways and means" of achieving unity with the Cape Verde islands. At present, the PAIGC, a unified, binational party, governs both countries but with little practical co-operation between the two.

Observers believe that on this issue in particular, and over more general matters of policy, divergencies developing within the hierarchy of the party since independence may surface. The increasingly liberal, pro-Western stance favoured by one faction headed by the President, is, it is believed, opposed by hardliners such as Dr. Araujo and Sr. Vasco Cabral, the Minister for Planning, who is responsible for nationalisation and the setting up of the people's shops. The hardliners cling to a more doctrinaire socialism and observers believe the two groups to be finely balanced.

AMERICAN NEWS

Optimism on Venezuelan economy

By Joseph Mann

CARACAS, July 25.

THE CENTRAL bank of Venezuela, in its mid-year report on the national economy, has presented a sanguine picture of economic activity in the country. But it has also expressed concern over Venezuela's increased dependence on food imports, its "excessive propensity" for luxury goods and a progressive rise in liquidity that could reach 31 per cent. by the end of the year.

The bank says the cost of living rose 8.2 per cent. in the January-May period, compared to 7.1 per cent. in the same period of last year. The bank's wholesale price index for the five-months rose 9.3 per cent., compared to 7 per cent. in January-May 1976.

Government price controls on a wide range of consumer goods have kept the official indices relatively low in spite of rocketing retail prices for a number of goods and services.

Venezuela's foreign reserves at the end of June totalled $9.01bn., the bank stated, up $1.23bn. from a year ago. Total official debt in June was estimated at $6.12bn., up 17.6 per cent. from the end of 1976. The increases in these two areas were due to Venezuela drawing $900m. on a Eurodollar loan before the end of June, selling Government bonds on the domestic market and placing $100m. in Republic of Venezuela bonds through London. Higher oil income also accounted for part of the increase in reserves.

The central bank concludes that the activities of financial institutions have shown "a satisfactory development" so far this year and it tentatively predicts good results for the manufacturing, construction and agriculture sectors. The latter had a disastrous year in 1976 because of drought and flood damage.

U.S. assures South Korea

SEOUL, July 25.

PRESIDENT Carter has assured South Korean President Park in a letter released to-day that the planned phase-out of U.S. ground troops here did not mean any change in the U.S. commitment to the security of South Korea.

The letter, dated July 21, was delivered to Mr. Park when U.S. Defence Secretary Harold Brown met him after opening talks with Korean Defence Minister Suh Jyong-Chul to discuss details of the plans for the withdrawal of the 33,000 Americans over the next five years.

President Carter said: "I wish to emphasise strongly that our ground force withdrawal plans signify no change whatsoever in our commitment to the security of the Republic of (South) Korea." Mr. Carter added: "The mutual defence treaty between our two countries remains fully in force . . ."

Reuter

Carter tries to reassure the black community

BY DAVID BELL

WASHINGTON, July 25.

PRESIDENT CARTER, who won election last year with the help of overwhelming support from U.S. blacks, to-day defended his Administration's civil rights record in the face of increasingly sharp criticism from black leaders.

In an address to the annual conference of the Urban League, Mr. Carter said that he remained deeply committed to the need to stimulate new jobs in the inner cities, where black teenage unemployment is as high as 60 per cent., and to create more public works jobs in the years ahead. He said that many of the programmes proposed by the Administration are only now beginning to go into full operation.

However, to-day's speech is unlikely in itself to be enough to satisfy the black community, which had particularly high hopes for Mr. Carter and which, in the view of many political analysts, was the decisive factor in his winning last November's election.

Yesterday, Mr. Vernon Jordan, the director of the Urban League and a respected black leader, told the conference that "the sad fact is that the list of what the Administration has not done for blacks and for the cities far exceeds its list of accomplishments." The President, he said, should "signal to the nation his concern for the cities and for the poor who live in them."

Reflecting growing anxiety in the black community that the civil rights movement may have "peaked," Mr. Jordan also noted that "black people, having tasted the sweetness of victory in November, resent the sour taste of disappointment in July. We resent unfulfilled promises of jobs, compromises to win conservative support and the continued acceptance of high unemployment."

The recent outbreak of looting in New York City has been taken by some observers as a reminder that the inner cities remain deeply depressed and that parts of them still resemble a tinder box waiting for a spark. Moderate black leaders are worried that if the black public comes to believe that Mr. Carter has reneged on his promises, that could be the spark.

Mr. Carter insisted in his speech to-day that the black community is about to feel the impact of the measures taken by the Administration. The President said that the $4bn. public works Bill approved by Congress is only just beginning to work. "We will process 1,000 contracts per week and all the $4bn. will be allocated by September 30. For the first time 10 per cent. of every contract must go to a minority subcontractor or supplier, which would mean $400m. directly to minority businesses."

The number of public service jobs would increase, and the President's planned reform of the welfare system would, he said, add a further 1m. jobs in due course. The Administration was working on tax reform proposals which would reduce the tax burden, increasing aid to inner-city school districts and pressing the Equal Employment Opportunity Commission to speed up inquiries into complaints of discrimination.

The fact remains, however, that Mr. Carter has so far paid little attention to the problems of the cities and has been conspicuously quiet about the riots in New York. Many major problems have yet to be tackled, and it is becoming apparent that the patience and good will of the black community is not inexhaustible.

More steel price rises likely

BY STEWART FLEMING

NEW YORK, July 25.

IN SPITE of efforts by the Carter Administration to contain the latest increase in steel prices—a 6 per cent. rise on structural steel shapes announced last week by United States Steel — there are signs that the increase is spreading.

Last week Administration officials and President Carter himself criticised the U.S. Steel price decisions. Nevertheless, Bethlehem Steel has also now announced a rise of 6 per cent. in its structural steel prices and a 7 per cent. rise in tin mill products prices, matching the U.S. steel increase.

Together the price increases cover output accounting for about 15 per cent. of steel shipments. In May, the industry announced increases of around 6 per cent. in flat-rolled sheet products after pressure from the Administration led to a reduction from 8 per cent. to 6 per cent. in the size of the proposed increases by some companies.

One of the criticisms of the latest rises announced by Bethlehem and U.S. Steel is that the market demand for structural steel is too weak to justify the rises. However the industry is countering by saying that there is evidence of a pick-up in demand for the steel, particularly that used for commercial building.

Resin price-fixing charge

BY OUR OWN CORRESPONDENT

NEW YORK, July 25.

A FEDERAL Grand Jury has accused four companies, Ashland Oil, Cargill Inc, Reichhold Chemicals and Reliance Universal, of conspiring to fix prices of resins used in paint.

The allegations have been denied by two of the companies, Ashland and Cargill, who intend to defend the charges.

At the same time, however, the U.S. Justice Department has filed a civil anti-trust suit against the companies, repeating some of the allegations made by the Grand Jury. According to these allegations, the companies conspired to fix the prices of resins and to allocate the resins business of some of their major customers amongst themselves between 1971 and November 1974.

Call for oil prices watchdog

BY OUR OWN CORRESPONDENT

WASHINGTON, July 25.

AN INTER-agency Government task force report, which is highly critical of past attempts to make major oil companies comply with pricing regulations, to-day underlined the difficulties that face President Carter's attempt to monitor more closely the activities of the oil majors.

The task force, in a report published to-day, says that a special team of auditors and lawyers should be formed immediately to investigate the country's largest oil refiners on the grounds that they may have overcharged customers and violated price rules. Mr. Stanley Sporkin, the head of the task force, who is also Director of Enforcement for the Securities and Exchange Commission (SEC), said that overcharges to be found "possibly amount to several billions of dollars."

The companies involved include almost all the largest companies in the country and the task force said that the Nixon and Ford Administrations had effectively failed to enforce rules adopted after the 1973 oil embargo to make sure that oil companies could not reap windfall profits from the shortage of energy.

Mr. Sporkin said that there are currently some 3,700 audits that have been started but never completed and that, at the present rate, it might not be until 1985 that price violations during the past four years might be cleared up. The Federal Energy Administration estimated that at least $1.7bn. of potential violations remained to be uncovered in the audits now in progress.

In April, when he outlined his energy package, the President said that it was vital that the Government should be able to keep a very much closer eye on the activities of the oil companies and a special task force is currently investigating ways to standardise the flood of new reports that companies will be forced to file.

To-day's report underlines the danger that this flood could overwhelm Government agencies and seriously reduce their ability to analyse the mass of new data.

According to the Federal Energy Administration, the attempt to clear the backlog of possible pricing violations will concentrate to start with on the 15 largest refining companies in the nation. These are Exxon, Standard of Indiana, Texaco, Shell, Standard of California, Mobil, Gulf, Atlantic Richfield, Sun, Marathon, Union, Conoco, Phillips, Cities Service and Getty-Skelly.

CHICAGO AFTER THE DALEY ERA

Minorities are a major headache

BY DAVID BELL, IN WASHINGTON

THE NEWLY elected Mayor of Chicago, who has the unenviable task of following the late Richard Daley's 20-year domination of the city, got married last Friday.

His wedding neatly symbolises how much has changed—and how much is still the same—in America's second largest city. Mr. Michael Bilandic, the new mayor, is the first man of Croatian descent to hold the office. He won it easily last month with the aid of the still formidable city Democratic machine.

His bride, however, is the daughter of an old Chicago steel family who was educated at an expensive New England college and was responsible for promoting the arts in the city. Even a few years ago it would have been almost inconceivable for a man from one of the city's tight ethnic communities to leapfrog the considerable social barriers in the way of such a marriage.

Yet if the marriage itself came as something of a surprise to Chicagoans, there was nothing surprising about the way in which Mayor Bilandic chose the "groomsmen," who correspond to ushers at a British wedding. Without exception they were the powerful figures in the Democratic political establishment that controls the city.

They included at least one of Mayor Daley's sons, the chairman of the Cook County Democratic Committee (a post which Mr. Daley used to hold along with the mayoralty) and other powerful ward leaders from across the city. Their presence was taken in Chicago as another sign that Chicago's distinctive political system has survived the death of its principal architect, at least for the moment.

Chicago is a one party city. There is no effective political opposition to the Democratic Party organisation that runs it and which derives its power from the vast number of jobs provided by the city administration. The cross-connections are so numerous that party and city are inextricably intertwined.

Mayor Daley had a formidable memory, particularly for people, families and political obligations. If anyone knew the full extent of the interconnections between the party and the city it was he—every day he checked the names of the latest arrivals on the city payroll and he did not forget them. City employees, who owed their jobs to the party, were surprised and flattered when he remembered the names of their wives or their children. He attended more than 1,000 funerals and countless wakes and at each there was an opportunity to strengthen another political bond.

Patronage kept the political machine—and the city government — functioning. It encouraged absolute loyalty from Mr. Daley's subordinates but he never appointed to senior positions people who were not well qualified for their jobs—or hardly ever. Chicago has very able city officials and is relatively efficient.

Chicago has almost as many Poles as Warsaw, nearly as many Greeks as Athens, and a very powerful Irish community . . . it is 40 per cent. black and 10 per cent. Spanish speaking . . .

An autocrat, at the top of a political pyramid that he had largely built himself, Mayor Daley remained invincible until the last few of his administration. But failing health, the arrest of some of his closest aides for corruption, and growing opposition to his methods in the rest of the state, reduced his power and his local and national influence in the years before his death.

As a result his sudden demise just before Christmas led to intense speculation that his machine would not survive him. Mr. Bilandic, the chairman of the city's finance committee and a middle-aged bachelor, was appointed interim mayor until the June election. He was assumed to be merely a caretaker, an assumption that he fostered. But once in office he decided to run, beat back a challenge in the primary and glided into power with a very large majority.

Mr. Bilandic does not yet have Mayor Daley's national political clout nor does he have Mr. Daley's inimitable presence which overawed most Chicagoans, even those who strenuously disliked him. Slow of speech and deliberately self-effacing, he has a nimble mind, Mayor Daley's memory and, according to some veteran Chicago political observers, even some of the late mayor's mannerisms.

If Chicago has remained a one-party city with a strong central administration, its strength owes much to Mayor Daley. He knew how to balance the various ethnic communities, giving each a slice of the pie. Chicago is made up of a multitude of ethnic groups and still has almost as many Poles as Warsaw, nearly as many Greeks as Athens and a very powerful Irish community.

But the growth of the suburbs, which was greatly accelerated by the influx of blacks from the south in the fifties and early 'sixties, eroded his traditional ethnic support as whites left the city (there are recent signs that this process may be almost over).

However, Chicago has become about 40 per cent. black and at least 10 per cent. Spanish-speaking. Forming such a large share of the city's population, blacks might have been expected to play a larger role—and in cities like Detroit or Philadelphia or Newark, they have.

But Mr. Daley never allowed the black community to coalesce on racial lines behind any one leader. He co-opted the black political leadership using the patronage at his disposal. It was not all plain sailing and many blacks remained wary of him, but he managed to treated the black population of the city like any other ethnic group.

After his death, there were fitful attempts to break the black group away from the machine, but they never caught fire. Mr. Wilson Frost, the most prominent black on the council, told his fellow black council members that it would be "political suicide" to oppose the machine. The black challenge, such as it was, faded away.

For the moment Mr. Bilandic can feel reasonably secure and he can start the long process of building the network of contacts and alliances that served Mr. Daley so well. Workmen have nearly finished erasing Mayor Daley's name from the myriad street signs all over the city. In its place they are painting Mayor Bilandic's name with equal prominence.

Mr. Bilandic has shown himself to be more flexible than Mr. Daley and has ended a long dispute with the state administration about a new motorway in the city to the satisfaction of both sides. He already knew the business community well and his detailed knowledge of the city's finances has greatly pleased its leaders.

With support from the machine and from business—which plays a very important part in the city—Mr. Bilandic has the beginnings of an impregnable position. But he is well aware that there was a large element of bluff in the Daley approach.

Chicago has weathered the problems of the past 20 years better than any other city of its age or size. Mr. Daley deserves some of the credit for this. But he was also adept at unloading problems onto other agencies. Thus the schools, the welfare system, the free hospitals and the city's universities are not run by the city as in, for example, New York.

Absolved of responsibility for all these services, Chicago continues in good financial shape, but it faces formidable social problems. Mayor Bilandic has to grapple with these and, to begin with at least, Mayor Daley's bluff will not be there to help him.

WORLD TRADE NEWS

Growth of East-West trade slows

By David Lascelles, East European Correspondent

THERE WAS a marked slowdown in the growth of East-West trade last year as the socialist bloc strove to cut down imports and reduce its chronic deficit.

According to figures prepared by the Moscow Narodny Bank, turnover rose about 5 per cent. to $72.3bn. This is only a fraction of the rate of growth recorded earlier in the decade, when the East-West trade boom was at the height. In both 1973 and 1974 turnover increased by nearly 50 per cent. a year.

One reason for the slowdown was a cut in imports by the socialist countries of 1 per cent. In value terms, the EEC countries' exports fell by 6 per cent. and those of the whole of the Organisation for Economic Co-operation and Development by 2 per cent.

At the same time, the socialist bloc managed to raise the value of its exports by 12.5 per cent. As a result its visible deficit fell from $13.3bn. in 1975 to $9.5bn. Exports covered three quarters of imports against only two-thirds the year before.

The figures bear out predictions that East-West trade would show slower rates of growth while the two-way flow was so unbalanced.

Britain, however, remains one of the few exceptions to the general picture of Western surplus. Its deficit of $500m. on its East-West trade last year is the largest recorded, with Italy running second with $400m.

EAST-WEST TRADE
$bn.

	Exports 1975	Exports 1976	Imports 1975	Imports 1976
EEC	21.8	20.6	14.1	16.9
OECD	39.6	38.9	25.4	28.6
World total*	41.2	40.9	27.9	31.4

Source: Moscow Narodny Bank, London.
* Covers an estimated 80 per cent. of world East-West trade.

Kuwait to sign Bulgarian pact

VIENNA, July 25.

KUWAIT AND BULGARIA will sign their first trade agreement before the end of this year, the BTA news agency said in Sofia.

The move is designed to boost the exchange of Bulgarian manufactured goods for Kuwaiti products, including oil.

It was announced by the news agency after a meeting between Mr. Todor Zhivkov, the Bulgarian President, and Mr. Abdel-Wahab al-Nafisi, the Kuwaiti Commerce Minister.

Reuter

Karachi port surcharges up

By Ian Hargreaves

PORT SURCHARGE levels for Karachi are to be pushed up again as a result of worsening congestion, which has taken the average turn-round time for vessels to between 30 and 35 days.

The India-Pakistan-Bangladesh shipping conferences have announced that unless there was a prompt improvement in the position, surcharges for eastbound traffic would rise to 20 per cent. from 16 per cent. and for westbound traffic from 4 to 7½ per cent. from August 1.

New Kloeckner order

Kloeckner Industrie-Anlagen, together with Ed Zueblin and Salzgitter, has won a 33-month DM68m. order in connection with its harbour construction project in Indonesia. The order, from P. T. Krakatau Steel, Jakarta, is for an iron sponge transport and transshipment complex, and a 300 metre-long pier for ships of up to 50,000 tonnes.

Credit for Iran

Tanavir, the Iranian national electricity company, is to receive a Frs.800m. five-year buyer credit from a group of French banks led by Credit Lyonnais. The credit is for a Frs.1bn. project to build an oil-fired electricity power station at Tabriz.

Korean TV sales alrea... exceed U.K. quota

BY JOHN LLOYD, INDUSTRIAL STAFF

THE DEPARTMENT of Trade yesterday confirmed reports in a Korean newspaper that Korean shipments of black and white TV sets had already greatly exceeded the quota for this year.

The reports, in the economic daily Seoul Kyungje, claimed that sales to Britain since January 1, 1977, totalled 51,684 sets. The annual quota, imposed on Friday, allows for 35,000 sets.

The report also said that Korean exporters had further orders on hand for an additional 109,650 sets. Letters of credit had been received for these but the sets not yet been shipped.

The department said that the newspaper reports tallied with its own estimate that some 30,000 sets had been received in this country since January 1, while a further 20,000 were in transit.

The department said that no further shipments would be permitted. The excess over the 35,000 quota limit would be docked from next year's quota.

In talks with the South Korean Government in Seoul in April of this year, Mr. Edmund Dell, Secretary for Trade, ... to secure a voluntar... the number of TV set... to the U.K. It becam... further talks held in June, however, that Koreans were thinkin... of up to 300,000 sets ...

The Government be... imports on that sc... seriously jeopardise j... British TV manufac... dustry. The effect of ... is that there will be ... imports of TV sets f... Korea this year and ... next year.

French car market recovers

BY DAVID CURRY

PARIS, ...

FOLLOWING THE decline in May, which led French car manufacturers to worry whether the market was turning sour after the record 1976 performance, car registrations recovered sharply last month to give six months' figures well ahead of the same period last year.

Registrations of private cars and small business vehicles in the six months to June topped the 1m. mark while production, at almost 1.7m. units, was 8.6 per cent. ahead of last year. Of these nearly 900,000 were exported, representing an improvement of nearly 13 per cent.

The motor manufacturers do not expect this high level of registration to last. They note that the good half-year will ensure a respectable overall performance in the event of a second-half decline and comment that the strong export demand should help to compensate for a weaker pattern of orders at home.

If vehicles built overseas are included total output of French companies from January to June was 1.95m. vehicles.

The picture for commercial vehicles is much less cheerful. Registrations up to six tonnes slipped by 0.7 per cent. to fewer than 135,000, although the Motor Federation harvests a grain of comfort that the 5.9 per cent. decline in June was not so bad as the 17.9 per cent. May downturn. Also on the good news front production improved sharply in June, reducing the six-month shortfall to 3.5 per cent., while over the half-year exports improved by one-tenth to top 70,000 units.

The real disaster area continues to be commercial vehicles of six tonnes and upwards. Production edged up by 0.6 per cent. over the six months, thanks to a 5.8 per cent. June advance stimulated by a sharp improvement in exports. But the home market continues to be very depressed and manufacturers are working at well below capacity.

The main hope in this sector is the somewhat negative one that operators have put off investing in new hardware for so long that the lorry fleet is becoming rather elderly. The fact that some operators may be forced into investment by the mounting cost of maintaining old vehicles is of some comfort to manufacturers.

Including cars and small business vehicles, Renault led the production stakes with production at home, overseas and in parts for foreign assembly reaching 853,600. Peugeot-Citroen, who... output is bigger than ... has a much weake... manufacturing base ... month tally was 761... third of the big thre... France, achieved an ... short of 320,000 vehi...

In the export leag... same category Peug... was close to 416,... Renault was 100,0... Chrysler achieved so... overseas sales.

The import figures ... able for five months ... show German and Sp... vehicles each at ... although the German ... a whole tops the leag... of its strong commerc... market in France.

Italy sold some 42... and vans to France ... 9,000 commercial vel... to this there needs t... the local commercial v... put of Fiat's subsid... Unic. Belgium, wh... significant assembler ... vehicles, sent 39,000 ... while Japanese sal... 22,000. Britain was ... the list, selling fewer ... the Soviet Union, but ... some ground thanks t... commercial vehicle sa...

Jordan rejects Tarmac quot...

RAMI G. KHOURI

AMMAN, ...

TARMAC'S ROLE in the $353m. expansion project for the southern port of Aqaba remains in doubt because its revised and higher quotation for the project has been rejected by the Jordanian Government.

Tarmac and the Jordanian company of Shahin Engineering and Contracting had secured a letter of intent last October to carry out the project to build four major new berths at the port, along with storage, lighterage, ro-ro and transit facilities, at a total cost of $53.6m.

The project was held up because of indecision on the part of the Jordanian Government about whether all this expansion would be needed, and also by financing problems. But a Jordanian delegation returned from Saudi Arabia last month with a Saudi pledge to finance 50 per cent. of the port expansion scheme, and the Government has decided in principle to go ahead with the full expansion plan.

Tarmac-Shahin were asked to submit revised cost figures. But the revised figure of $58.2m. was rejected by the Jordanian Government last week as being too high.

It is understood that a meeting of Tarmac officials will take place in London to-day to decide on the next move. A decision is expected this week before the tender bonds for the contract expire on July 28.

Senior Transport Ministry officials told the Financial Times that it still is possible ... expansion project m... back to two new ber... estimate that, with th... floating berths built ... Japan that are comin... vice this year, two ... berths would provide ... capacity at Aqaba ... 1990.

If the full project fo... berths goes ahead how... likely that the two float... would be sold in the m... Michael Cassell add... Tarmac spokesman in tha... firmed that [illegible] bee... talks with Jordanian ... concerning the contract ... it was hopeful of an ... come to the discussion...

Contracts

● Constructions Metalliques de Provence SA and three Portuguese companies have signed a contract worth over Frs.90m. to build an ethylene and propylene plant at Sines in Portugal. For the Portuguese petrochemical company Companhia Nacional Petroquimica. The others involved in construction are Equimetal, Sorefrane and Mompor.

● EMI Medical has received its first order from Hong Kong for one of its EMI-scanner computed tomography x-ray systems—an EMI CT5005 general-purpose scanner to be installed in St. Paul's Hospital, Hong Kong.

● Camber International has won a £0.5m. order from Technopromexport of the USSR.

● SA Contracts Division, the recently formed building division of British Aluminium, has won a £400,000 contract to design, supply and build a 20-metre-diameter dome for El Nilein Mosque on the banks of the Nile in Khartoum in the Sudan. The dome, which will be clad on the specially fabricated pyramidal panels, will be an aluminium tubular spaceframe structure. The entire structure and cladding will be prefabricated in Britain ready for erection on site.

● Quebec's Department of Intergovernmental Affairs said it has negotiated on behalf of Gestionnaires d'Trean, a private engineering concern a $37m. contract with the Government of Iran for construction of 15 prefabricated job training centres with installation scheduled over a 30-month period and completion expected in 1980.

● Matrix-Churchill International, the export marketing subsidiary of Tube Investment's machine division, is to supply British machine tools worth nearly £200,000 to Industrija Alata of Trebinje, Yugoslavia. The package is for a first phase expansion by Industrija Alata.

● Head Wrightson (Steelcast) has won an order valued at about £100,000 for sternframe castings for three new ships being built by a West German shipyard. This is the first time that this work has been placed in the U.K., being previously carried out in Germany and Norway.

● Vitrified clay drainage pipes and fittings to a total ... over £2m. are to be su... the Bahrain sewerage ... under the terms of ... placed by the Bahrai... of Works, Power and ... jects and Research ... with Hepworth Iron C...

● Process Engineerin... the Swiss Chemap ... received an order fo... struction of a plant ... Victoria in Kenya for ... ing of 60,000 annual ... raw sugar molasses ... tural waste. The turn... calls for investm... Sw.Frs.150m. and will ... the biggest bio-chemic... Africa.

Avery Export has ... £160,000 deal to supply ... tronic weighing in... systems to Italy for th... Genoa Authority. ... coupled rail wagons ... speeds around 4km/h.

● Pakistan Internatio... lines (PIA) and KL... Dutch Airlines have ... ment under which KLM ... vide PIA with manage... vices, training faciliti... perience to enable ... operate an automated re... on its own computer ... project will cost the P... $12m.

SOUTH AFRICA

Protectionism gathers momentum

BY BERNARD SIMON, IN JOHANNESBURG

IN THE WAKE of the EEC's clamp on cheap steel imports from South Africa, the Pretoria Government is showing that when it comes to protectionism, it can give as much as it takes.

With the South African economy slipping into its fourth year in recession, calls are growing for local industry to be protected against what many consider unfair competition from a wide variety of imports. It is not surprising that the authorities—faced with a grave unemployment problem—are giving these protests a sympathetic hearing.

To avoid accusations that it is breaking the rules of GATT and the possibility of retaliation from its trading partners, the Government has allowed private enterprise to take the lead. As one businessman in an industry threatened by cheap imports puts it: "We've been told by the Government we'll get what we want provided we shut up."

A "Buy South African" campaign has been gathering momentum. Its thrust was initially directed at consumer goods, but since these make up less than one-fifth of total foreign purchases, it was realised that the scope for import substitution was negligible. Attention has now switched therefore to replacement of capital equipment imports.

Moves are afoot to form a series of private sector committees to scrutinise import permit applications. The main function of the committees will be to put prospective importers in touch with suitable local manufacturers. However, they may also advise the authorities to refuse permits to those unwilling to switch to local suppliers. As a further information service it is proposed to compile a product register to help importers identify local suppliers.

Several concrete steps have already been taken to protect industry. The 15 per cent. import surcharge announced in the March Budget was primarily intended as a revenue-collecting measure, but it has also raised South Africa's tariff walls.

Then, following a wave of cheap imports of steel pipes and complaints from local producers (some big companies are operating at 60-65 per cent. capacity), the Government has slapped an unannounced ban on all imports of these products for the rest of the year.

A survey commissioned by the Prime Minister's Economic Advisory Council estimates that about R900m. of current imports (out of the annual total of R7,400m.) can be immediately replaced by locally-manufactured goods.

Among the sectors which could each switch over R100m. of their orders from foreign to local suppliers are: ferrous metals, textiles, machinery and electrical machinery. On the other hand, the scope for replacing jewellery, tobacco, clothing and liquor imports is regarded as negligible.

The survey also calculates that, assuming new capital investment, an additional R753m. of imports could in the longer term be diverted to local industry. Mr. Tony Robinson, economist of the Steel and Engineering Industries Federation and one of the survey's authors concluded that "the real gap between domestic and international prices levels must be further narrowed by increased tariff protection on the one hand and higher tender preference levels for lo... tent."

... vulnerably low and are to move up significantl... the start of the next upt... In addition, the survey ... setting up an import ... ment financing fund ... industry discard out-date... to rationalise and to ... productivity. It propo... imports should enjoy par... generous tender preferen... that customs tariffs sh... raised to protect local ... against foreign supplier... subsidies and marginal ... policies.

The current prot... moves should, however, ... seen merely as a sh... attempt to protect the ... ports competing with de... local industries. Policy... are looking into the futu... any local tender ... The import substitution ... aimed at minimising the ... on the foreign reserves ... the next upswing. Ec... recoveries in South Afric... traditionally been accom... by a surge in imports. Hi... as a result of the steep ... capital inflows, the reserv...

هكذا من الأصل

"The international strength of the Plessey Group is undoubtedly the most important achievement to arise from many years of painstaking development...."

Sir John Clark, Chairman, in his Annual Review to Shareholders.

[Re]cord £94 million exports [spe]arhead recovery

[In his re]view to shareholders in the Plessey [Company's R]eport and Accounts for 1976-77, [published] today, Sir John Clark says:

"[In the] worst ever business conditions of 1975-[76 the rec]overy I predicted 12 months ago took [place fu]lly throughout 1976-77 and, despite [the severe] and sudden effects of the Post Office [cuts anno]unced last November, we ended the [year on a ri]sing trend.

[Gr]owth continued in the fourth quarter [at over 2]0 per cent – the third consecutive [quarter at t]hat level – improving the final pre-tax [profit la]bour 14 per cent for the year, after [su]bstantially higher depreciation and [interest co]sts. Return on capital employed was [improved b]y approximately 1.5 percentage points. [Worldwi]de sales were 16 per cent higher at [£569 milli]on, of which about 50 per cent was [achieve]d by international business, either by [operations] outside the UK or by direct [exports fro]m the UK. This is a most encouraging [feature of o]ur current business development.

[Our U]K export performance was a new [record a]t £94 million, up by 36 per cent [compared] with the previous year. This was [made up] of £28·2 million exports by [Telecomm]unications, £37·3 million by [Electronic] Systems, and £28·5 million by [other] UK-based businesses, including [Aerospace,] which contributed export sales of [over £1]1 million. Selling in export markets [is not eas]y and we do not, of course, win all [the busin]ess for which we bid. But against [the tough]est competition in the world I [believe our] export record in the last two years [speaks for] itself.

[Maximu]m Dividends

[Despite a go]od performance in a year when we [had to make] substantial and unexpected provision [for the los]s which will arise from cuts in Tele[communica]tions, that after the deduction of £11 [million fo]r 'Extraordinary Items' we have been [able to rec]ommend total dividends for the year at [4.84p pe]r share, the maximum permitted level. This [mean]s, however, to draw on reserves to the [extent of a]bout £360,000. We believe it is a [wise step] to make provision for all anticipated [costs, inclu]ding redundancy, surplus stocks, dis[posals and] dilapidations.

[It is the] Board's intention to revert to our [former pol]icy of declaring one interim and one [final dividen]d in respect of each year. This change [of policy,] which is explained in the Report of [the Directors], will be introduced as soon as reasonably practicable, consistent with the Company's objective of paying the maximum dividend within the Government's restraint policy.

International Strength

The international strength of the Plessey Group is undoubtedly the most important achievement to arise from many years of painstaking development and planning, still not without problems. It is in line with the plans of our Chief Executive Office to provide a more effective forum for cohesive direction and control, with much shortened lines of communication among top management worldwide. I dealt with the main concepts and objectives of the Chief Executive Office in reporting to shareholders last year and you may like to be brought up to date on progress since that time.

We have pressed forward with our objective to decentralise operations on the basis of a number of product and regional subsidiaries, each capable of matching the equivalent international competition, according to market size, opportunity and product range. We have continued to strengthen our management team. And we are continuing our strategy of 'portfolio balance' to ensure that those businesses we are in offer the best prospects for the Plessey Group as a whole. We have already withdrawn from a number of ineffective product ranges, notably in components, and this in itself has contributed to overall efficiency.

A policy of severe discrimination is being pursued rigorously with a view to attaining the best possible returns in every specialist sector – for which purpose we are carefully balancing our product mix and our relative dependence on various customer bases, such as between the public and private sectors.

Marketing Policy

In short Plessey has become more customer and market oriented and ultimately we aim to reach a position where no business sector is over-reliant on any one customer. To achieve these changes required hard decisions and concentration on those areas which promise success. The Group is becoming more responsive, efficient and competitive and the benefits will accrue progressively.

We have heard much in recent years from the British Government about the need for industrial strategy and planning agreements. The British telecommunications manufacturing industry was entitled to believe that it had an effective planning agreement with the Post Office under the 'Modernisation Plan' of February 1973.

It was then recognised by both sides that the move towards new telephone switching technologies would have to take place progressively to achieve an 'orderly and manageable rundown' of manufacture in the labour-intensive sectors of electro-mechanical systems (Strowger and Crossbar). The changeover, which would gradually affect thousands of jobs in the industry, was planned to be phased over more than ten years.

Post Office Cuts

When the Post Office announced, without any prior warning or consultation, its further swingeing cuts in November last year, the cumulative effects of cuts since 1974 caused grave problems for the manufacturing industry. Plessey, as the largest supplier of electromechanical products and with the greatest manufacturing investment in the regional development areas, was obviously hit very hard.

In 1974 we had started to intensify the export drive to offset the effects of earlier reductions in orders and while the Company has had substantial success with the Pentex electronic exchange system – now in service or on order from 22 countries – it was not enough to counteract the reduction of work in the labour-intensive electro-mechanical sectors.

Despite four months of talks with Government and the Post Office, in which the manufacturers joined with all the industrial trade unions in a sustained argument against the cuts, no amelioration was offered. By early March, Plessey had no alternative but to issue formal consultation notices, under the Employment Protection Act, covering a total of about 4,800 jobs in the North West and North East. We were able to identify a number of new job opportunities in growth product areas such as TXE4, Pentex and System X, and these of course were offered to the people affected, thus reducing the total surplus. In addition we had to announce the closure of three factories.

We deplore the abruptness of Post Office action, particularly because of the distressing hardship it has caused to a large number of our people in the development areas where unemployment is already very high. We pressed the appropriate Ministers and officials for action to alleviate this hardship, including an independent inquiry into the decision on ordering programmes. We urged changes in Post Office marketing policy, which in our view would stimulate greater use of the telephone network and therefore save some of the jobs inevitably affected.

New Job Opportunities

We examined with the Department of Industry other ideas to create new employment prospects in the development areas, as a result of which we welcome Government support for a new printed circuit board production facility at our factory in South Shields – with 400 new job opportunities in the North East by 1980.

We are taking a long, hard look at future requirements. We have already invested heavily in setting up a new plant at Huyton for the manufacture of TXE4. It is now on stream and producing new electronic exchanges for the Post Office. We are also playing a leading part in the development of System X. But the most exciting mid-term prospects in the Telecommunications sector are in our own developments of electronic private exchange systems – both in the UK and in North America – for the world's markets.

The Plessey K-1 electronic branch exchange is a stored program controlled private subscribers system designed and developed by Plessey Canada. A digital private exchange system is also at an advanced stage of development by Plessey Telecommunications at Nottingham. In both cases trial installations are already in operation. We hope to launch these potentially powerful new products on to the commercial market before the end of the year.

Balancing the Portfolio

The Company is re-shaping its product portfolio to achieve a better balance between public and private sector markets, as well as in spreading our business across a larger number of technology and customer bases internationally.

During a period of economic recession and transition to new technologies, Plessey has succeeded in developing major strength in electronic systems. We specialise in products for the radar, navaids, avionics, radio communications, marine and allied markets. Our Electronic Systems businesses are developing strongly and during the year they achieved excellent results, substantially increasing profitability and return on capital employed. The order intake exceeded £180 million. Recognition of our success with exports came in April with a Queen's Award, the sixth to be won by the Plessey Group (four for exports and two for technology).

A large proportion of the new orders for telecommunications and electronic systems incorporate a variety of new products. These will clearly strengthen our position in world markets in the coming years.

The gradual emergence of the US market from deep recession has led to a substantial profit improvement in every sector of the Group's North American business. In particular, our performance in the semiconductor and electronic markets was considerably better than that of the US industry as a whole.

Enormous growth is currently taking place in the Mediterranean and Middle East Region. Oil revenues are being invested in a wide range of industrial products, including telecommunications and electronic systems. Competition is fierce, with almost every major industrial group in the world bidding for business. On the basis of selective specialisation, we are encouraged by our penetration of this important growth market.

In Europe we have substantially increased our business activity and I have already referred to our record performance in Italy. Looking ahead we believe our performance will improve still further as a result of steps taken to streamline our European operation, especially in the private sector market.

People

To everyone in the Group – about 60,000 people across the world – I should like to say thank you for your loyalty and hard work. The Board much regrets that despite its appeals to Government and the Post Office to ameliorate the effects of their actions, the year-end brought the threat of redundancy to many employees.

United Kingdom

We, in common with other parts of British industry, still face substantial problems in the UK, including current political uncertainties. The business market is depressed, although signs are emerging to indicate an upturn over the next 12 months. The greatest problems are unemployment and inflation. Until inflation is firmly brought under control there cannot be much hope for genuine improvement in overall prospects. This, in turn, depends on the outcome of discussions of Phase III of the Government's pay policy. Unless there is an orderly return to free collective bargaining on salaries and wages – within an environment of mutual interest – we shall lose more than the benefits painfully achieved in fighting inflation over the last two years.

We must, however, restore incentive and this will require recognition of maintaining differentials in pay scales for those with special skills and special responsibilities. We also require real improvement in net income in order to motivate people to work harder and to improve employment and productivity generally throughout the UK.

The tax burden must be reduced. New employment opportunities cannot be created in today's fiercely competitive environment unless industry has the funds to invest. Those funds can only be obtained if investments produce a bigger pay-off than they do now. It does seem at last that there is a wider political acceptance of the need for profit – and that must include the opportunity to improve trading margins without which returns will become totally inadequate.

Outlook

It has not been my policy to make forecasts. However, I do believe that given reasonable improvement in the economy – and that must include effective control of inflation – we stand well placed to continue the upward trend achieved last year. We still have some work to do to restore equilibrium in the telecommunications business after the major disruption it has suffered. We shall continue to encounter fierce competition in world markets. But I detect a new confidence among our people to secure the orders and deliver the goods.

I also believe that the policy of the Board to achieve a better balance among our many business activities will help to ensure that we both spread our risks across a larger number of customers and markets, and are better placed to grasp opportunities as we identify them. We began the current year with order books standing at a record level of £600 million, of which £167 million is for UK exports. This gives us a good start in our quest to secure more profitable growth."

John Clark.

SALES AND PROFITS WORLDWIDE 1976-77

	£M	%
Sales – £569 Million		
UK Exports	94	17
Other UK operations	281	49
Operations outside UK	194	34
Pre-tax Profits – £39.6 Million		
UK operations (inc. exports)	21·7	55
Operations outside UK	17·9	45

Trading performance quarter by quarter

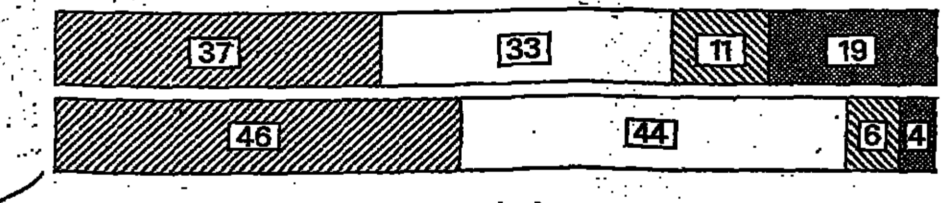
(in thousands of pounds) 1976-1977

	3 months to 30 June	3 months to 30 Sept	3 months to 31 Dec	3 months to 31 March	12 months to 31 March
Sales	129,000	137,900	141,400	160,500	568,800
Profit before taxation	10,255	8,136	9,605	11,585	39,581
Profit after taxation	5,555	4,736	5,905	6,985	23,181
Dividends					11,391
Earnings per share* (in pence)	2.27p	1.86p	2.38p	2.92p	9.44p
Dividend per share (in pence)					4.84p

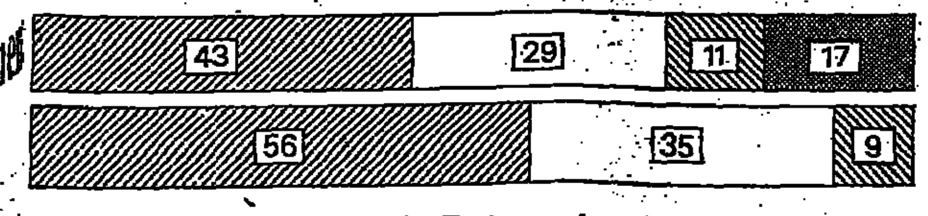
**before extraordinary items of £11,162,000*

Sales and Profits Comparison by product groups 1975-1976/1976-1977

[Produ]ct Sales and Profits 1976-1977 (%)



[Produ]ct Sales and Profits 1975-1976 (%)



[T]elecommunications and [t]elegraphic equipment

Electronic systems and equipment, including radio and radar

[A]erospace equipment and [i]ndustrial hydraulic products

Electronic and mechanical components

[The Annual Ge]neral Meeting of The Plessey Company Limited will be held on Thursday, 18 August 1977 at 12 noon at [...] 21-24 Millbank, London SW1P 4QP. Copies of the Plessey Annual Report and Accounts and 'Plessey World', [the annu]al report for employees, are available from The Secretary at the Company's registered office: Vicarage Lane, [Ilford, Essex IG]1 4AQ.

PLESSEY GROUP

Operating internationally in 136 countries

BUSINESS AND INVESTMENT OPPORTUNITIES

READERS ARE RECOMMENDED TO TAKE APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

HOME NEWS

Improvement of managers 'crucial' to industry

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

IMPROVEMENTS in the quality of manufacturing managers are crucial to Britain's industrial strategy, according to a discussion paper on industry, education and management published by the Department of Industry yesterday.

The paper recognised the low pay, status and prestige of U.K. manufacturing managers in comparison with their counterparts in other countries, but Mr. Les Huckfield, Parliamentary Under-Secretary for Industry, made clear that the Government was not contemplating early action to improve managers' pay differentials.

Mr. Healey, had "shown an awareness and said something about the problem" of managers' reduced differentials in his April Budget and his recent statement, Mr. Huckfield said.

"I would like to think that there's a bit more scope now to do something about these things. But the problem is not just pay and incentives; it is working conditions, career prospects and a whole lot of things."

The document—written by civil servants and endorsed by the Secretaries of State for Industry, Education and Science, Scotland and Wales—was not intended to "criticise the manager's of British manufacturing industry.

"We recognise that Britain has got many first-class managers already. What we want now is to stimulate more able people to join them." The purpose was to promote discussion of the need to improve manufacturing management, and to stimulate all concerned to think how they could best help.

Capabilities

The 80-page paper discusses the qualifications and supply of British manufacturing managers, women and management, the poor image of industry, incentives and differentials, the education system's influence, industry's use of graduates, special problem areas—particularly production management, where officials believe British managers are generally weak by comparison with their overseas counterparts—and ways of improving the capabilities of managers presently employed.

Mr. Huckfield said after giving industry a month or so to think about the problem he would set up "lots of meetings up and down the country" to discuss the matter.

He was particularly concerned to improve the information about industry provided to young people in education. He hoped to set up a series of regional conferences to establish a mechanism by which companies and educational institutions could form links with each other.

The paper was welcomed by several bodies. Sir Charles Pringle, chairman of the Council of Engineering Institutions, said: "I hope it will lead to positive action and to a greater appreciation by the public—particularly young people—of the vital part which engineers and the engineering industry play in the country's economy."

Guest Keen and Nettlefolds praised the paper's recognition of the importance of improving the status and motivation of engineering management, recognising and rewarding entrepreneurial skills, and increasing the investment in management development.

Industry, Education and Management, DoI, Room 601b, 1, Victoria Street, London, SW1H 0ET.

Editorial Comment, Page 14

Aitken resigns from Beaverbr

By Christopher Dunn

MR. MAXWELL A joint managing dire Beaverbrook Newspap resigned from the Boa

Mr. Aitken, 25, and of Sir Max Aitken, the chairman of Beave joined the Board in Ap will receive about £4 compensation for loss c

Mr. Aitken's res comes less than a mon the £14m. take-over newspaper empire by T House Investments.

As part of the deal M Matthews, Trafalgar's chairman and managi tor, became chief exec Beaverbrook. At the sa Sir Maxwell Aitken as chairman and beca president.

Emphasising that th been no boardroom ment, Mr. Matthews night: "Mr. Aitken with the utmost between us. There is feeling and he is going us in future on a nu activities he has been in within the group."

Mr. Matthews added Aitken "did not see hi the newspaper world a family had given up c Beaverbrook."

At the time of the b tiations, Mr. Aitken strongly to keep contr family.

No further bo changes are envisa Beaverbrook, Mr. said.

Tarling decision on Friday

By Margaret Reid

MR. RICHARD TARLING, formerly a director of Slater Walker Securities and chairman of its one-time associate, the Singapore-based Haw Par Brothers International, will now learn the outcome of his appeal against extradition to Singapore on Friday.

This is as a result of an arrangement made yesterday that the three judges who heard the appeal—on the basis of an application for a writ of habeas corpus—would give their decision a day later than had been anticipated.

The judges are Lord Justice Shaw, Mr. Justice Nield and Mr. Justice Stocker.

In January, the Chief Metropolitan Magistrate, Mr. Kenneth Barraclough, found that Mr. Tarling had a case to answer on 15 charges brought against him by the Singapore Government.

Originally 24 charges were brought, but one was not proceeded with, two were withdrawn and four were taken out as alternatives, so that Mr. Tarling faced 17 when the hearing before Mr. Baraclough got under way.

During the appeal before the divisional court, on which the decision will be given on Friday, four further charges were withdrawn as not being offences under the relevant law, leaving 11 charges outstanding.

Go-ahead for £135m. schools programme

THE GOVERNMENT has authorised the start of school building projects worth £135.8m. in England and Wales in 1978-79, the Commons was told yesterday.

In a written reply from Miss Margaret Jackson, Parliamentary Under-Secretary for Education and Science.

The figure represents a rise of about 7.5 per cent. on the £126.2m. approved for new building projects in 1977-78. School building will also share in the £100m. construction programme announced by the Chancellor of the Exchequer on July 15.

A total of £119.2m. of the 1978-79 £135.8m. is for the start of primary and secondary school building needed to accommodate extra pupils in areas where the population is still growing.

The remaining £16.6m. is for improving or replacing substandard buildings, particularly in poor areas.

In addition, the Government has authorised £40m. for building projects expected to start in 1978-79 in the further and higher education sectors.

The universities are to share £9m. of this sum.

The rest will be used on polytechnics and colleges, including £6m. earmarked for the provision of 10,000 extra places in sub-degree courses.

Brick output reduced

FINANCIAL TIMES REPORTER

BRICK production and deliveries in April-June quarter but 15 per cent. less than fell in June, according to provisional figures collected by the Department of the Environment.

Estimates suggest that brick output last month was 433m. against 452m. in May and 489m. 12 months ago. In April-June production was 4 per cent. less than in the preceding quarter and 8 per cent. less than in the same period last year.

The Department estimated that deliveries in June fell to 431m. from 467m. in May. In June last year deliveries reached 513m. In the latest quarterly period deliveries were 13 per cent. more than in the previous quarter but 15 per cent. less than in April-June last year.

At the end of June brick stocks were 833m. against 826m. in May and 486m. a year ago.

Cement deliveries averaged 296,000 tonnes a week last month. This is 5m. tonnes a week less than in May and 36m. tonnes less than in June last year. In April-June deliveries were 2 per cent. more than in the preceding quarter and 12 per cent. less than a year ago.

Production of cement in June averaged 320,000 tonnes a week against 339,000 tonnes a week a year ago and 312,000 tonnes a week in May.

New trading terms up the small grocers

By Elinor Goodman, Consumer Affairs Corre

PROCTER AND GAMB of Britain's two bigges gent manufacturers, h the grocery trade by down tough new tradin which mean that shop want small deliveries w to pay more for them.

The move, detailec letter to retailers, com time when the whole of trade discounts h been referred to the polies Commission to e whether such discou related to cost savings.

Procter, which mak big-selling brands as Tide, said yesterday t new terms were desig reflect the cost of dist more accurately.

Given the high cost o bution, many grocery m turers would like to be raise the size of the m amount they will delive standard price. But bec the *buying muscle* retailers, like Tesco, o biggest manufacturers position to dictate term

The grocery trade's w that if Procter makes terms stick, other su will try to imitate them

This would be a so concern not only for th independent shops—m whom in any event bu cash-and-carry depots than having goods d direct—but also for multiple groups whic operate a number of stores which cannot ph accommodate large deli

Big supermarkets like Sainsbury, which their goods delivered to warehouses, and hyperm which have a big volume through each s justify big deliveries, stand to benefit.

£10m. projects approved by Shore

Financial Times Reporter

MR. PETER SHORE, Environment Secretary, has approved construction work in Manchester and Salford worth £10m.

The work will take up the major part of £11m. allocated to the area out of a total £100m. of additional expenditure made available by the Chancellor for construction work in certain inner city areas in the next two years.

The City of Manchester will receive £5.76m., the City of Salford £2.92m., the Greater Manchester Council £1.18m., the Manchester Area Health Authority £230,000 and the Salford AHA £200,000.

New airfare 'from U.S. only'

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH AIRWAYS yesterday stressed its new cheap transatlantic London-New York return fare of £170 (about $290), planned for September 1, is designed for purchase from the U.S. only.

From the U.K., the existing cheapest fare, the £153 London-New York Advanced Purchase Excursion (Apex) return ticket, remains unchanged.

The aim of British Airways in trying to reduce fares in the U.S. market—the reduction with the new fare is about 17 per cent.—is to compete with the forthcoming Laker Skytrain, due to start on September 26.

This will cost £59 London-New York, and $135 (about £80) New York to London, giving an effective return of £139 (under the Skytrain rules only single tickets can be bought).

British Airways made it clear yesterday that while it accepted its new rate, if approved, would still be dearer than the Skytrain, it would offer much more in the form of guaranteed seats, with meals and drinks included in the fare.

Even cheaper than the new Apex rate will be British Airway's Advance Booking Charter (ABC) fares, which start at £122 according to time of flight and destination.

Laker Airways yesterday did not appear to be worried by the British Airways move (which is expected to be followed by other airlines). It feels its Skytrain will still attract passengers and that the market is big enough for everybody.

● NEWS ANALYSIS—FAIREY

Not for the faint-hearted

BY RICHARD LAMBERT

AT AN extra-ordinary general meeting this afternoon, shareholders of the Fairey Company will vote on a proposal to increase the company's borrowing powers by about two-fifths. Since the meeting was called just over a fortnight ago, the share price has halved, the management has disclosed that the profits forecast for the year to last March—which it made in December—has been missed by a mile, and institutional shareholders have successfully pressed for a private meeting with the company next month in a belated effort to establish what has gone wrong.

For Fairey, there is nothing particularly novel about this kind of excitement. Indeed, in the 21 years since its Delta aircraft powered its way to a world airspeed record of more than 1,000 mph, it has faced at least three corporate crises before the latest upheaval. The switch-back record of the share price—which is now below the level of the early 1960s—throws up a clear warning to all but the most steely nerved investor.

Comforts

Two years after Fairey's U.K. airframe manufacturing business disappeared as part of the Conservative Government's rationalisation plan of 1959, the company was the subject of a bitterly and ultimately successfully opposed takeover bid by Bristol Aeroplane and Westland Aircraft.

The bid seemed to transform Fairey's profits performance—until 1966, when the shortage of U.K. power station work and the completion of the Lockheed Starfighter programme in Belgium left a large hole in the profits figures and took the share price down to half its bid-time level.

One of the comforts proffered at that worrying time was a newly won contract for Dungeness B power station. However, by 1969 the group was anticipating losses of nearly £2m. on this contract and a year later the big red figure crystallised at £3m.

This brought a fundamental change in Fairey's management and business objective. Under the influence of bankers Leopold Joseph, whose clients had built up a 25 per cent. shareholding in the company, the present chairman was appointed and big efforts were made to enlarge Fairey's engineering capability outside the nuclear industry.

In the light of the latest upset, the big question is whether Fairey is simply accident-prone, or whether there is some more fundamental explanation for its extremely volatile financial record. Although the nature of its business has changed markedly over the past two decades, at least two common themes remain. One is that it is still heavily involved in large Government contracts. The other is that a number of its operations are in areas of relatively high technology.

These two features lie at the core of the present problem. At the time of its profits forecast last winter, Fairey was anticipating that major contracts for bridges and aircraft would be completed in time for substantial deliveries to be made before the year end. If these had materialised, it claims, profits for the year would have been £2m. higher.

Delays

In the event a £40m. military order for bridges was deferred until after the year end. Development work on the project cost more than £600,000. At the same time, delays beyond the company's control in the start of the F16 aircraft programme in Belgium meant that the planned run down of work on the Islander aircraft was deferred. As a result, Fairey now finds itself with excessive stocks of this aircraft.

The management says it would not have made sense to cut production overheads when it became clear that these big orders were going to be delayed. It was certain that the work would be coming sooner or later, and meanwhile its skilled workforce had to be kept together.

But the short-term cos been very heavy. A bui the inventory of unsold p has more than doubled volume of outstanding about £28m. and financ have exceded budget by

Aware

The management's pr this afternoon will be to strate that the balance-s back under control. It w be pressed to explain v shareholders were kept dark for so long about th deterioration in the background.

Fairey certainly seems been aware for some tim need to bolster its financ ministration. In Marcl financial manager was ap to the Board, as was a ma director of Leopold Josep non-executive capacity.

Longer term, the ques whether Fairey has balance-sheet muscle involved in businesses whi require such heavy, sho financing. Investing instit which control roughly ha shares, will be meetin chairman in the middle o month. Those with memories may be thinkin fully of the kind of propos up by Bristol and Westla those years ago.

هكذا من الأصل

-U.K. r chief kes job Iran

Dodsworth, Industry Correspondent

RGE TURNBULL, the managing director of eyland who has just ree years setting up dai car company in opted out of return- British industry by a consultancy post

ecision follows an by the National Enter- rd about a fortnight ke on a consultancy seeing British Ley- it Mr. Turnbull said that he had not had er from the NEB.

g in London yesterday, ull said he hoped to Britain at the end of ar contract with the ional company. By aid, the tax problems, de it inadvisable to Britain at present, substantially over-

job will be as con- and adviser to Mr. chairman and manag- tor of Iran National, is strong links with an assembler of the Hunter model in

George Turnbull takes a two-year contract with Iran National.

In the past few years, Iran National has expanded rapidly from an output of about 20,000 vehicles in 1970 to well over 100,000 last year.

Within the next few years, it is planning to double that output, having brought a number of new production units on stream in the past two years.

Mr. Turnbull, 50, has been brought in mainly to work on the production problems involved in this swift build-up and to help the company look for export markets.

He is going into the company, he says, with no specific executive role. But he may be given managerial rather than advisory authority eventually.

Iran National, which also makes about 2,000 Mercedes buses and 5,000 Mercedes light commercial vehicles a year, is one of the largest of the new motor companies to have emerged in the developing world recently.

It has been bedevilled in finding sufficient skilled labour in Iran and bringing new capacity on stream. The company has suffered also from the erratic supplies from Britain arising out of Chrysler's labour disputes.

Company faces Beatrice fish row

By Ray Dafter, Energy Correspondent

MESA PETROLEUM, which plans to develop its Beatrice oilfield, in the Moray Firth, Scotland, may be heading for a new confrontation with the fishing industry.

A report commissioned by Mesa confirms that there will be a conflict of interest between the oil and fishing industries.

Not only would development of the field mean lost fishing grounds but could also result in sea-bed debris which might damage nets, endanger the crews and cause loss of fishing time.

However, the report, prepared by Sphere Environmental Consultants, disagrees with the Scottish Fishermen's Federation which has called for the Beatrice field's oil to be landed by means of a sub-sea pipeline rather than an offshore loading system as proposed.

Little difference

The report says: "We have been unable to find a conclusive reason why the fishing interests would be better served by this course of action as there appears to be little difference in comparative impacts."

Mesa, a U.S. oil independent, and its partners — which include P & O — have found one of the most attractive fields in the North Sea. Although it is relatively small — reserves are unofficially estimated at between 200m. and 500m. barrels — it is close to land, which will reduce the need for expensive platforms and oil transport systems.

But because it is an inshore field, just 12.5 nautical miles from the Scottish coast, its possible impact on the environment is being scrutinised more closely than usual.

The issue is further complicated by the peculiar nature of the oil, which is expected to be produced at an average rate of 35,000 barrels a day. The oil is waxy, which means at low temperatures it resembles non-drip paint and has a texture similar to black boot polish.

Difficult

For this reason Mesa maintains that pipeline transmission of the oil to the mainland would be technologically difficult, expensive and environmentally worse than offshore loading.

Sphere has estimated that small oil spills might arise between once every six months and once every two years. For this reason it recommended that the safety ship working in the vicinity of the field should be equipped with skimming and dispersant spray equipment.

Pan Ocean ends test of 'successful well'

BY RAY DAFTER, ENERGY CORRESPONDENT

THE PAN OCEAN oil exploration group has fineshed testing one of the most successful wells drilled in the U.K. sector of the North Sea.

Located on the Brae Field, in Block 16/7 north-east of Aberdeen, the well penetrated 820 feet of oil-bearing rock. Five of the six separate intervals tested encountered oil and gas.

The well was drilled to a depth of 14,008 feet. The first test, conducted beneath the oil-bearing column, produced no more than water. The remaining intervals were tested as follows:

- No. 2 (115 feet) flowed at a rate of 6,849 barrels a day through a 1½-inch choke.
- No. 3 (70 feet), at 6,005 b/d through a one-inch choke.
- No. 4 (90 feet), at 5,723 b/d through a 1½-inch choke.
- No. 5 (60 feet), at 6,723 b/d through an unspecified choke.
- No. 6 (110 feet), at 7,813 b/d through a 1½-inch choke.

The well considerably enhances the commercial potential of the Brae Field which still remains one of the most geologically perplexing structures in the North Sea.

Recent unofficial estimates of the field's reserves have ranged from 250m. barrels to 1.1bn. barrels.

More drilling information will be required before an accurate assessment can be made. As a result, the Pan Ocean group is to drill at least two more wells before deciding—probably next year—how it will set about developing the prospect.

The rig Odin Drill which has just completed the test is being moved about one mile to the north east. A second rig is being chartered to supplement the confirmation drilling work.

The shares of Siebens Oil and Gas (U.K.), an independent group formed to search for oil and gas, have risen markedly in the past few days partly in expectation of the well result. Siebens has a 4 per cent. stake in Brae.

It also has a 95 per cent. interest in Blocks 2/10 and 3/28 which has attracted a recent offer from Chevron, the American oil group. Sieben's shares finished at 258p, up 19p on the day and a rise of 84p since the start of last week.

Other interests in Brae are: Pan Ocean (a wholly owned subsidiary of Marathon), Ashland Oil, British National Oil Corporation, Bow Valley, Canadian Ashland Oil, LL and E (GB) (a subsidiary of Louisiana Land and Exploration), Saga Petroleum, and Sunningdale Oils (a wholly owned subsidiary of Kerr-McGee).

- British Petroleum is expected to announce details of its break-through oil discovery west of the Shetland Islands later this week. The find, which is causing a great deal of oil industry interest, has been made on Block 206/8.

More Home News Page 37

threat to suppliers—Leyland

IAL TIMES REPORTER

OMPONENT suppliers ned that British Leyland be planning to expand s in the sector.

xist that the State- oncern may use funds its direct involvement anufacture of com-

Products, of Oldbury, one of the principal suppliers of tube for exhaust systems used by Leyland Cars, has expressed its fears that its activities are under threat.

The company maintains that Leyland is planning to manipulate tube, and is concerned that the State corporation may also install a tube mill.

Leyland, which streamlined its component operations last August with the formation of SU/Butec, insisted last night that existing suppliers had nothing to fear, provided they were able to meet the required standards on quality, price and delivery.

...yland dealers may broaden base

RY DODSWORTH

IER of large British ealership organisations ected to follow the nnounced move by the 1 Group to take on nchises in order to broader base.

oleyard decision to buy ealership follows Leyndonment of its long- agreements with its estricting them from holding any rival franchise. Virtually the only exceptions to this rule in the past have been a few companies, trading in Rolls-Royce cars.

One of the reasons behind the relaxation of these restrictions may have been the Common Market rules about fair trading. But equally, Leyland dealers have been pressing for a change as they have suffered from the company's supply problems during the last two years.

Many dealers have been receiving only 75 per cent. of their allocation in this period, and have seen the need to broaden their base with alternative franchises. The only basic restriction they will suffer now will be in taking on foreign car franchises within 30 miles of a Leyland outlet.

Offshore activities prove the most dangerous

BY DAVID FISHLOCK, SCIENCE EDITOR

OFFSHORE oil and gas activities are by far the most dangerous of Britain's energy industries in terms of deaths per thousand employees.

Figures from the Department of Energy yesterday show that the offshore mortality rate last year was 1.5 deaths per 1,000 employees, compared with 0.19 deaths per 1,000 for deep-mined coal.

No death was recorded in the nuclear industry last year.

In a written Parliamentary answer Mr. Anthony Wedgwood Benn, Secretary for Energy, referred to the "outstanding record of the U.K. nuclear industry, where over the 20-year period covered by the statistics no fatal accident was attributable to the specific hazards of working with radioactive materials."

Comparable figures for other industries are deep-sea fishing, 2.8 deaths per 1,000; construction, 0.18 deaths per 1,000; and manufacturing industries overall, 0.04 deaths per 1,000.

Mr. Wedgwood Benn, who undertook to provide Parliament with the accident figures last January, said that it had not proved possible to provide comparable statistics covering non-fatal accidents because of differences in the convention observed by different energy industries in recording their accidents.

The coal-mining figures do not include those from long-term industrial disease such as pneumoconiosis.

The World Health Organisation, in a recent report on the health implications of nuclear power, compared the number of accidental deaths arising from a year's operation of 1,000 MW of electrical power plant and its associated fuel cycles. Its mortality figures, based on four different studies, were: coal, 0.54 to five deaths; oil, 0.14 to 1.3 deaths; and nuclear 0.01 to 0.86 deaths.

FATAL ACCIDENTS TO EMPLOYEES IN THE FUEL INDUSTRIES (DEATHS PER 1,000)

	Coal	Gas	Electricity (incl. nuclear)	Offshore oil & gas	Oil refining	Nuclear research & fuel
1957	0.54	n.a.	0.06	n.a.	n.a.	0
1967	0.36	0.10	0.12	1.0	0	0
1976	0.19	0.10	0.09	1.5	0.05	0

'Risk of energy crisis' if nuclear power delayed

BY IAN HARGREAVES

BRITAIN could face an energy crisis worse than anything it has experienced if decisions on the nuclear energy programme are not taken very quickly, according to Mr. Frank Tombs, chairman of the Electricity Council.

Mr. Tombs said in Coal and Energy Quarterly, issued to-day, there might be an annual shortfall of power equivalent to 100m. tons of coal by the turn of the century.

Taking the most pessimistic estimates of the Department of Energy on supply of indigenous fossil fuels and energy demand in the next 20 years, he argued that new nuclear plant of about 4,000 megawatts would be needed each year throughout the 1990s.

As it took about ten years to plan, build and commission a nuclear station, all the preliminary decisions on reactor systems, sites and reprocessing of fuels must be taken urgently.

The expansion programme needed to meet the situation implied in the department's figures was faster than anything the industry had been able to achieve, and would require a "massive effort" by the plant construction industry.

ENTERTAINMENTS GUIDE (Cont.)

THEATRES

WHITEHALL. CC. 01-930 6692-7765. ... PRINCE CHARLES, Leic. Sq. 437 8181. ... WINDMILL THEATRE. CC. 437 6312. ... THE EROTIC EXPERIENCE OF THE MODERN ERA ... WYNDHAM'S. 836 3028. ...

CINEMAS

ABC 1 & 2, Shaftesbury Ave. 836 8861. ... CAMDEN PLAZA, Camden High St. ... CURZON, Curzon Street, W.1. ... LEICESTER SQUARE THEATRE (930 5252). ... ODEON LEICESTER SQUARE (930 6111). ... ODEON MARBLE ARCH (723 2011/2). ...

ART GALLERIES

MALL ART GALLERIES, The Mall, SW1. ... MAAS. ... AGNEW GALLERY, 43 Old Bond St., W.1. ... OMELL GALLERIES, 40, Albemarle St., Piccadilly, W.1. ... PARKIN GALLERY ... THE PARKER GALLERY, 2, Albemarle Street, Piccadilly, W.1. ...

CLUBS

GARGOYLE, 69, Dean Street, London, W.1. ... EVE, 189 Regent Street. 734 0557. ...

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● COMPONENTS

No lull in battle of the micros

THERE IS no abatement in the component price war and Zilog, dark horse in the microprocessor stakes, has cut the cost of two of its products to below £10 "in large quantities."

For standard price list quantities the cost of the Z80-CPU US is cut to £28 from £36 and the Z80A-CPU is £36.50, or 17 per cent. down on the previous level.

Zilog attributes the move to two major factors: increased output following on sharply intensified demand, and the high yield from the four-inch silicon wafers the company started to manufacture last November at its ultra-modern Cupertino centre. This plant is turning out up to 4m. circuits a month.

The Z80 central processor has a basic instruction cycle time of 1.6 microseconds and an instruction set of 158.

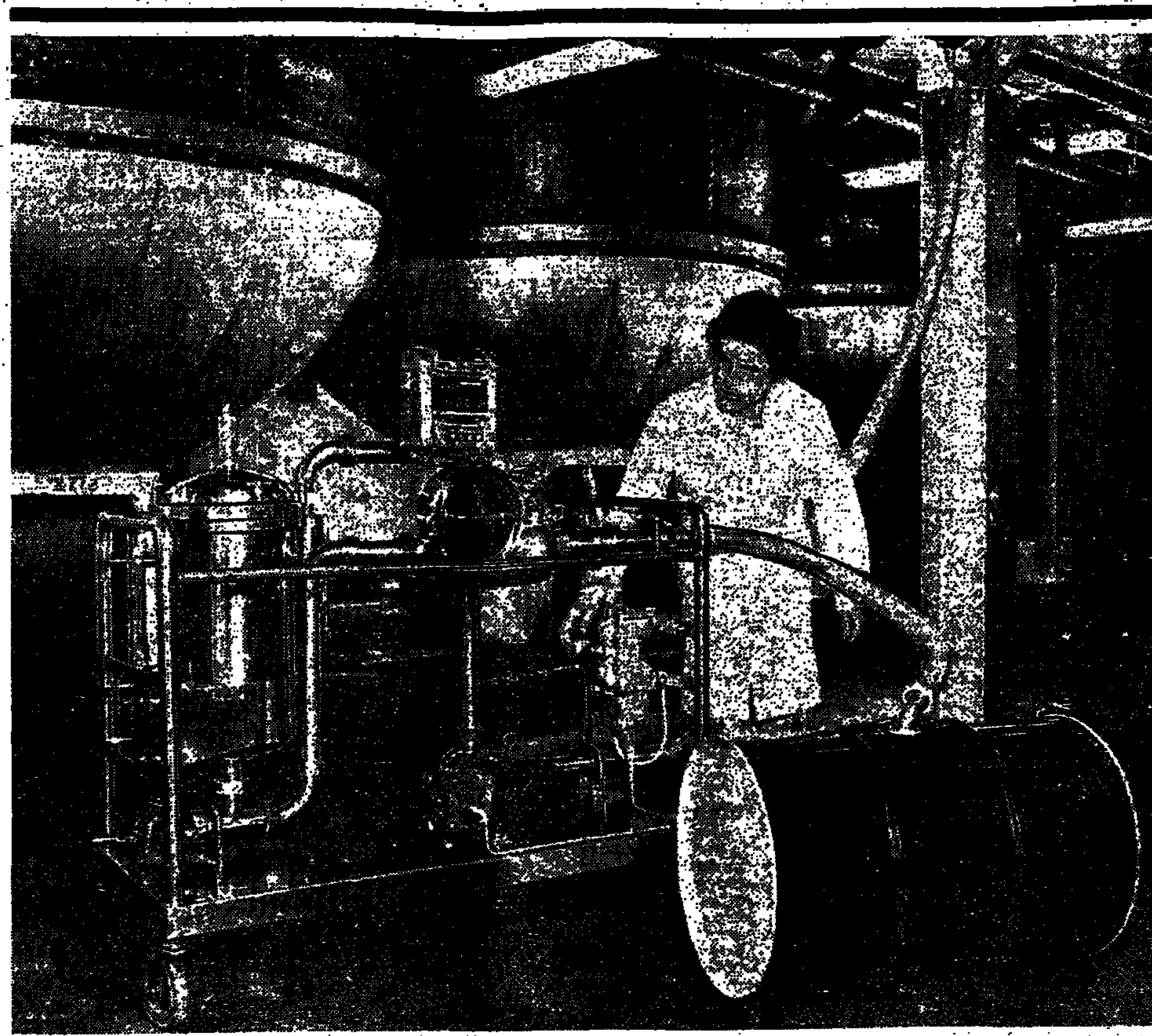
Zilog is tackling the problem of world representation, which it must to take on the component giants at their own game, by setting up second-sourcing arrangements with well known groups. The latest move in this area is an agreement with SGS-ATES of Agrate, Italy, which has plants in its home country, but also in France and Scotland. It was clinched by the consideration that SGS had considerable experience in the production of its own devices, belonging to the family in which comes the Z-80—subject of the second-sourcing arrangements.

In May, Federico Faggin, head of Zilog, concluded a second-sourcing arrangement with the multi-industry Sharp organisation in Japan, while in 1976, Mostek in the U.S. concluded a sales agreement on mask sets with Zilog.

Under the new arrangement, SGS will support the four Z-80 devices now in production as well as the new SIO unit which the company is to launch in September.

The company claims to have more "true second-sources" than anyone else in microcomputers and says the latest accord is a major step in plans to set up the Z-80 as the industry standard eight-bit general-purpose microcomputer. If the company can continue to cut prices as it has done, this aim should not be difficult to achieve in the relatively near future.

Further details of the price changes and the new agreement from Zilog at Nicholson House, Maidenhead SL6 1LD, Berks. 0628 36131.



The flow of gin and vodka from storage vats into 47-gallon drums is controlled by this mobile metering unit which is now being used in J. and W. Nicholson's Three Mills distillery at Bromley-by-Bow, London. The unit saves manhandling of drums to and from a weighbridge and is stated to have full Customs and Excise approval. Both the trolley and the equipment it carries are made from stainless steel and were designed by Neptune Measurement of Dobcross, Oldham, Lancs.

● OFFICE EQUIPMENT

Clocking in yields data

INTRODUCED into the U.K. from Germany is the Time-On-Line attendance time control system, suitable for flexible or fixed hours working.

Marketed by Blick National Systems it consists of a computer with up to 64k of core store, a central control unit and a number of clocking-in terminals.

Installed as required at clocking-in stations, the terminals are equipped with identity card reader, a digital display and push buttons that are actuated on arrival and departure. When arriving or departing each employee is automatically shown his time balance and his record in the computer is updated.

The way the data is manipulated in the computer can be programmed to suit specific company requirements, taking into account the number and duration of staggered time periods and breaks, overtime hours, non-working days, time worked outside any agreed band, paid and unpaid absence, rates of pay and similar details.

The control station is equipped with visual display unit, paper tape punch and reader, a dual disc unit to hold all the employee's files, and a printer.

According to the programming the management can extract data virtually as needed by addressing the VDU via the associated keyboard: for example who is "in" and who is "out," how many man-hours have been expended on a particular job or project, high absentee rates in particular departments—apart from routine uses such as wage computation.

A system covering 500 employees with five terminals can be rented for about £9/head/quarter including maintenance. More from Blick House, Techno Trading Estate, Swindon SN2 6ER (0793 692401).

● AERIAL PHOTOGRAPHY

Spot gives exposure

LATEST image printer from LogEtronics in the U.S. is known as the mark IVR5A variable dodging printing enlarger, intended mainly for use in conjunction with aerial photography.

Light source is a scanning spot on the face of a cathode ray tube, optically projected through the negative to expose paper, film or plate. A photomultiplier tube monitors the light transmitted through the back of the printing material. Depending on the varying densities in the negative, the photomultiplier increases or decreases the scanning spot velocity on the face of the CRT to give automatic exposure control, not only for each element of the picture, but from one negative to the next.

The system also allows for electronic variable contrast using only one grade of paper. Tone compression is completely variable with a range from zero up to 100:1. A colour conversion kit permits negative colour printing. *The company is at* 7001 Loisdale Road, Springfield, Virginia 22150.

● OFFSHORE

Power under the water

BP, in collaboration with Exeeco, of Pudsey, West Yorkshire, has developed a new range of submersible electrical connectors for use in cathodic protection circuits and for power and control systems on North Sea platforms and in the Middle East. The connector is equally suitable for AC or DC circuits.

Designed to be engaged or disengaged by one diver working in zero visibility and low temperature conditions, or by a submarine vehicle manipulator, the connectors have been simulation-tested to depths in excess of 600m., and have been in service below 100m.

The body of the connector is made from glass fibre reinforced with Cellobond polyester resin. All conductors are of copper and can be supplied plated to customer requirements. Insulation is by a light mineral oil.

Further details from BP at Britannic House, Moor Lane, London EC2Y 9BU. 01-920 7308.

● INSTRUMENTS

Ohmic shaft encoder

COLVERN has developed a potentiomatic shaft encoder which can be used instead of existing servo controls such as synchos that would cost, claims the company, 30 per cent. more.

It is intended for use singly or multiplexed, in systems where shaft positions are needed in digital form. Each shaft is provided with a relatively low cost continuously rotating potentiometer having two wipers and taps every 90 deg. The potentiometers are energised from a ±5V dc supply and the outputs are connected via signal conditioner and encoder to produce a ten-bit binary representation of the shaft angle. Several shafts can be dealt with by multiplexing.

Through code conversion the signals can be made to drive a digital display or provide some other function. Accuracy is claimed to be 0.2 per cent. and is not significantly affected by variations in the amplitude or symmetry of the reference voltage applied to the potentiometer. Conversion time depends on signal conditioners used, and will be between 50 microseconds and 200 milliseconds. More from Spring Gardens, Romford, Essex RM7 9LP (Romford 62222).

● ELECTRONICS

Microwave counter

A FREQUENCY counter has been put on the market by Systron Donner that can operate from 20 Hz up to 4.5 GHz. The company says that advanced microwave technology has enabled it to keep the price down to less than £1,000, whereas such instruments can often cost several times as much.

It had been introduced as a mid-microwave unit and meets requirements that could otherwise only be provided by the company's more expensive 18 and 24 GHz models.

Incorporating an eight digit display, the unit can resolve frequencies to 0.1 Hz at 4.5 GHz. Sensitivity is 10 mV rms to 500 MHz and 13 dBm down over the remainder of the range.

Options for the instrument, which is known as the 6244A include BCD outputs, battery operation and a comprehensive range of time base oscillators. More from St. Mary's Road, Sydenham Estate, Leamington Spa, Warwicks (0926 35411).

Finds the bad chip

A PULSING probe introduced by Zone Electronics, used in conjunction with a logic probe detector, enables test personnel to confirm suspicions that an ic chip has become faulty, without the need to remove it from the circuit.

The pulser, when connected to a chip input pin, first decides whether it is at logic "0" or "1" (that is, say zero or five volts) and then introduces very short pulses in the opposite sense. The logic (detector) probe on the output pin demonstrates the result.

The circuit input condition seen by the pulser and the subsequent action are shown on multi-coloured LED displays. There are also switches to preprogram a given number of pulses, to deal with chips such as registers or counters. The device can also generate a continuous pulse train at one, 10 or 100 Hz.

All the pulses used are sufficiently short to prevent damage to the integrated circuits. More from 60 King's Walk, Gloucester GL1 1LA (0242 42537).

● DATA PROCESSING

Scans fast for data

A FULLY automated system for data collection from Hottinger Baldwin Messtechnik can scan up to 1,000 measuring points, perform analogue to digital conversions, amplify and print-out data in digital form.

Likely uses of the unit, called UPH 3200, include collecting measured values in civil or mechanical engineering and continuous monitoring in industrial environments.

The relays frequently used in such units for switching scanned low-resistance transducers have been replaced by more reliable FET switches: design is such that the high transfer resistances of the semi-conductors have no detrimental effect. The advantages include switching without wear and chatter and high switching speeds. Furthermore, cable losses can be compensated by the circuit which means that thinner, less expensive cables can be utilised.

All types of transducer, such as strain gauges, inductive transducers, resistance thermometers and thermocouples can be scanned, and the UPH 3200 can be keyboard-programmed for all measuring point parameters offering a degree of automation otherwise only achieved in fully computer-controlled systems. More from the U.K. agents, Carl Schenk (U.K.), on 01-841 5121.

Legal data study

HEADING up a four-company, 18-month study project commissioned by the EEC to look at the Community's problems of legal information retrieval is Scicon Consultancy of London.

With the other companies from France and Germany, Scicon will define the requirements, technical characteristics and plans for the development of a retrieval system for the whole community.

Problems arise from the fact that the structure and characteristics of the law are different in the member states, as are the structure and procedures of the legal profession. There is also the language problem.

The team will examine how computers can be used to disseminate and store information on legal matters and the approaches to holding the information and methods of accessing it. It will also examine the various methods of communication, including the evaluation of European networks such as Euronet. Scicon is on 01-580 5599.

● ENERGY

Super-power switch

A BRIEF announcement has come from the Westinghouse laboratories in Pittsburgh that a team there is working on the development of a light activated silicon switch that switches currents at very high rates of change.

The device—entirely experimental at this stage and not available for sale—has demonstrated peak current pulses of 20,000 A, switched at rates of 40,000 A/microsecond and sustained for about 40 microseconds.

It is triggered with a pulse of infra-red radiation, leading to a very fast and efficient turn-on of a large semiconductor area. With light pipes an array of light activated switches could be operated at the same time with a single infra-red pulse. The Pittsburgh work appears to be aimed at laser activated atomic fusion, but there might be applications in power engineering. Phone 235 0847 for further information.

● MAINTENANCE

Baking tray cleaner

TWO AUTOMATIC baking tray cleaning machines have been developed by Herman Voege, of Bremen, West Germany. Maximum rate is 500 trays/hour.

The Putzteufel (cleaning devil) is available in two versions. Model "U" is suitable for two- or three-sided trays up to a maximum of 580 x 950 x 35 mm. The Italia will handle four-sided sheets to a maximum of 580 x 950 x 25 mm—the length of the sheet on this model must remain constant.

On both machines the trays or sheets are fed by a conveyor chain into the machine where heavy duty rotating brushes above and below the tray remove the debris. Perforated, grid, fluted or normal flat sheets can all be cleaned. An optional fitment oils the trays ready for the next baking.

U.K. agent is European Process Plant, 175 High Street, Banstead, Surrey, SM7 2NT (Burgh Heath 52988).

● *By agreement between the Financial Times and the BBC, information from The Technical Page is available for use by the Corporation's External Services as source material for its overseas broadcasts.*

● MACHINE TOOLS

Hole, bush in one pass

BECOMING more accepted in routine production is the Flow Drilling process developed by Adaptoga of Stockport, a swarfless technique in which a bushed hole is formed directly in thin-walled metal sections.

The operation uses a modified pillar drill and patented tooling which, by frictional heating produces a bush from the parent metal in one operation with no need for internal support.

Flow-drilled bushes are about three times longer than the parent metal thickness and are able to produce joints of high integrity when tapped or used as a surface for soldered, brazed or bonded connections.

Economies of manufacture have been proved, for example, in the production of manifolds for gas or liquid passage. Invariably the manifolds need a series of bosses for the connection of the take off lines. Flow drilling produces them, removing the need for separate collars and bosses and at the same time saving in stock holding, paper work and accounting. Other examples included substitution for the brazed bosses for fluid spray heads and for the adaptor ring for fitting disposal units to sinks.

Apart from an increase in "in-house" production that the company is currently undertaking for customers' jobs, cooperation with two major U.K. machine tool makers has led to the development of four basic flow drilling machines and a range of peripheral equipment. More from the company at The Hollygate, Stockport, Cheshire SK3 0BD (061-480 3999).

Plasma wi[ll] cut to a programm[e]

IN OCTOBER, the latest cutting system from Uni[on Car]bide is to be installed at [...] Dorman Long, Mancheste[r]. [The] machine will first be on [show] at the Essen Fair (Se[pt.] 21-28).

A rack-and-pinion numerically controlled [...] machine, fitted with two cutting heads, it is also e[quipped] with two triple-burner gas contour bevel uni[ts,] single-torch oxy-fuel ga[s] and punch and powder [...] facilities.

For both ferrous ar[nd non-]ferrous cutting, the eq[uipment] incorporates pollution [control] systems, using the wate[r table,] water muffler and wate[r injec]tion techniques.

Control is by a mini-c[omputer] which travels with the [machine] and the operator has [pro]gramme edit or change [facilities] on the control console.

The work table is 60 [ft. long] by 14 ft. wide, and the [machine] is capable of cutting stai[nless and] carbon steel up to 4 inch[es]. More from Union Carb[ide] on 0709 79161.

● PROCESSING

Taking off contaminant[s]

ONE OF the common difficulties in rubber moulding operations is the apparently simple task of cleaning the mould after a number of pressings, as particles remaining on the surface could well ruin the quality of the following operation. The difficulty increases with mould complexity.

Maysonic Ultrasonics, a company specialising in the application of high frequency sound to industry, has introduced a specialised mould cleaner which will effectively remove every damaging particle from the mould—prolonging almost indefinitely the life of these expensive tools which can be ruined by attempts to clean them manually. Average cleaning time is approximately 20 minutes.

With the ability to handle tools up to 1 metre square—either one item or a number of smaller units simultan[eously] the cleaner uses six hig[h ...] *immersible transducers* [in a] heated chemical tank m[anufac]tured from quality EN 5[8 stain]less steel. A setting-o[...] and a fine dual-circuit f[ilter] system ensures that [...] tinuously re-heated [...] liquid is always circulat[ed in a] clean state. Both tan[ks are] double skinned, and [pro]vided with full therm[al and] acoustic insulation.

The system is controll[ed by] a centralised control [unit and] the power cubicle housin[g the] independently-operated [...] generators may be locall[y or re]motely positioned in re[lation to] the cleaning tank. For [opera]tion in a dirty or ha[zardous] location, fully sealed [and] cooled generators are a[vailable].

Maysonic is at 9 Tes[...] Reading, Berks RG1 [...] (0734 583421).

Aluminium foil separat[or]

THIN ALUMINIUM foil is usually produced by rolling doubled aluminium strips. The doubled foils have then to be separated on special winders. A machine has been developed by Kampf, in West Germany, which is said to simplify and speed the process.

Called the Sepamat, it can run at speeds up to 1,000 metres/minute. The rewind stations are positioned vertically one above the other instead of the conventional horizontal format. This is said to give a number of advantages.

Less floor space is required, and material threading is simplified. One operator can observe finished roll build-up from the control console. Ultrasonic welding of foil breakages is simplified. Roll changeovers, which normally take u[p ...] minutes, take only two [...] with one operator.

Options are a slitting [...] the razor blade or sciss[or ...] lay-on rolls which rest [...] rewind rolls to maint[ain ...] flatness; and automatic [...] (loading, with roll [...] and loader.

Removal of rolls, an[d ...] tion of wind shafts wit[h ...] cores is handled by a carriage mounted on rail[s ...] rewind end of the mach[ine and] is motor powered. Havi[ng com]pleted its operational cy[cle the] carriage is available w[hen the] next rolls have been wo[und, re]ducing down-time.

Marketing in the U.K. [...] Engelmann and B[...] William Curtis House, [...] Hants., GU34 1HH (0420 [...]).

Replaces chrome platin[g]

DEVELOPED IN the U.S. some two years ago by the Midwest Chrome Plate Corp., of Detroit, a production plating process for small and large parts, is now available in the U.K.

Called Zartan, it is claimed to be capable of replacing chromium plating for most applications. The only limitation found so far is discoloration above 300 deg. C. The composition of the plating alloy has not been revealed.

In use, the chroming tank of a standard electrolytic line is replaced with a plastic lined tank. Zartan is plated on to the usual nickel base, but requires much lower current densities than for chromium—about 3 or 4 A/sq.ft.

Throwing power is state[d to be] superior to chrome, a[nd intri]cately shaped component[s are] fully plated. Lustre an[d colour] are similar to chromiu[m].

Any product which [can be] barrel plated in nickel [can be] Zartan plated. Complex [parts] which have hitherto [needed] rack plating treatment, [can be] economically barrel proc[essed in] quantity.

Effluent can be treat[ed with] calcium oxide, and is bi[odegrad]able, simplifying dispos[al prob]lems.

Marketing in the U.K. [...] M. L. Alkan, Stonefield W[ay, Vic]toria Road, Ruislip, M[iddx.] HA4 0JS (01-845 3301). [...] ness Peat group compa[ny].

● COMMUNICATIONS

Packet data extension

TWO new offices, one in Warrington and one in Birmingham, equipped with packet switching concentrators have been opened by I. P. Sharp Associates.

The equipment is connected to their time-sharing network which links 144 cities in the U.K., Europe, Scandinavia, the U.S. and Canada. Users in the Midlands and the North-West can now access the IP Sharp IBM 360/75 computer facility for the cost of a local call.

Customers use th[e pro]gramming language APL [which] is quick to learn and i[s suited] to the development of [...] data bases for planni[ng and] analysis. Initial custom[ers of] the new branches inclu[de Cad]bury Schweppes, Rolls-Ro[yce and] British Nuclear Fuels; [applica]tions cover financial p[lanning,] corporate modelling and [statis]tical analysis. More fr[om ...] Buckingham Palace Roa[d, Lon]don SW1W 9SA. 01-730 [...]

Data seen quickly

LATEST VISIBLE record computer from Burroughs has a console printer working at 150 characters/sec.

Called the L99-150, it has bi-directional printing with positioning which is twice as fast as the print speed—better than many line printers. Thus the machine is ideal for month-end reporting and high-speed print runs such as payroll and statements.

It also has a magnetic record feeder/stacker which automatically feeds in cards, holds them for subsequent processing and then restacks. In addition, 32-character buffers, in both printer and keyboard, give simultaneous operation of the keyboard, printer and processor.

Memory is of any size up to 64 kilobytes, in increments of 2 kilobytes, with serial and random access capability. M[agnetic] memory records can stor[e ...] 352 or 704 digits of infor[mation]. More on 01-759 6522.

LABOUR NEWS

'laghan ...s out ...alth ... soon'

...TS of the Govern- ...roducing legislation ...alth tax during the ...arliament were firmly ...t by Mr. James ... Prime Minister, at a ...of the TUC-Labour ...liaison committee

...llaghan did indicate, ...that he would be glad ...alth tax proposals as ...e Labour Party's pro- ...or the next election. ...a of the wealth tax ...ed in a discussion ...reviewing last year's ...e Next Three Years ...roblem of Priorities ...s considered by the ...mmittee yesterday. ...ested that proposals ...brought forward in ...ession for a tax based ...shold of £100,000 at ...values, with rates ...gressively from 1 per ...net assets to 5 per ...fortunes over £5m. ...was calculated, would ...tween £350m. and ...year.

...tely that the Govern- ...l produce a discus- ...ment on the wealth ...e during the next

... Denis Healey, the ...r, argued at yester- ...ting that to legislate ...resent state of the ...ould probably result ...Bill reaching the ...ook in an unaccept- ...

...from the wealth tax ...he draft document ...the next three years ...oved by the liaison ...e and will now go ...e TUC general council ...national executive ...e of the Labour

...es in the document ...around a call for the ...ent to set a growth ...igned to produce a ...full employment by ...ch would require an ...in output of about 5 ...a year.

...on to urge measures ...a more determined ...introduce planning ...nts in at least the top ...panies; the establish- ...f a new Investment ...Fund; rigorous use of ...y Price Commission ...and the opening of the ...ystem of government ...public scrutiny and ...bility.

...raft document con- ..."We reject the idea ...re is a choice to be ...tween a more equal, ...compassionate society ...with greater economic

...two go hand in hand, ...believe Britain will ...ate to the world in ...ng years."

...much cash ...on science ...ols chief

...H effort is being ...science and too little ...ing, the school ...Sir Alex Smith, ...f the schools Council ...day.

...he Conference of the ...Association of ...York, that only £2m. ...on considering the ...while the Science ...ouncil had a budget

...stressed that the ...responsibilities con- ...ducation were the ...earning a living. ...ethics. To meet them ...in service must pro- ...ship, understanding ...thority, he said. ...e warned that the ...of higher education ...e concept of shared ...onducted partly in ...and partly at work. ...nt emphasis was ...e of the alienation ...cation and work, he

Dockers aim to leapfrog Phase Two with 20%

BY NICK GARNETT, LABOUR STAFF

A POTENTIALLY serious threat to the Government's hopes of maintaining the twelve months pay rule and keeping wage rises within its guidelines is coming to a head among sections of the country's 30,000 dockers.

The lead has been taken at Southampton, where dock workers who refused a Phase Two settlement in January are demanding 20 per cent. increases from August 1.

They will be meeting to-day to consider intensifying industrial action—which has so far included a refusal to work on Saturday mornings—until the local employers, the British Transport Docks Board, starts responding to the claim.

The unofficial national port shop stewards committee which has mounted a campaign to persuade dockers' shop stewards throughout Britain to seek rises of at least 20 per cent. on gross pay, meets on Saturday week to discuss what steps to take if dock employers take a firm stand against pay claims which may be submitted within the next two weeks.

One alternative would be a national strike call.

To put all this in perspective, however, the great differences in pay settlement timings, working conditions and pay rates at different ports must be emphasised.

It is not clear, either, what influence the national port shop stewards committee, whose vice-chairman, Mr. Richie Pearce, is also chairman of the Southampton port shop stewards, would have if it came to a confrontation on pay and the 12 months rule.

Most dockers are members of the Transport and General Workers' Union, whose conference opted for "unfettered" collective bargaining from August 1. Mr. Pearce says that this gives the dockers a free hand to go for what they want after the end of Phase Two.

Hull's 2,0000 dockers, who accepted a Phase Two payment in December, also appear set for a 20 per cent. claim, but so far have not raced into anything. They met the local port employers yesterday but did not submit any claim. They were told by the employers that a break of the 12 months rule would not be allowed under any circumstances.

Merseyside's dockers, numbering more than 8,000 and three times as many as at Southampton, have again been offered a Phase Two deal, due last April, and are no w discussing the possibility of a self-financing productivity scheme on top of that.

Productivity talks are particularly significant at Liverpool because many shipping lines using Merseyside have already imposed congestion surcharges because of poor turn round times. Some services have even been switched to other ports to avoid delays.

The pay position at London's docks, whose 9,000 workers accepted a Phase Two deal in January, is more murky.

Mr. Pearce says they will also be going for 20 per cent. rises, but Mr. Peter Shea, secretary of the Transport and General London docks and waterways group, believes that London dockers would be prepared to hang on for a rise until January and that no specific claim has yet been adopted.

Smaller companies confused over pay

BY DAVID CHURCHILL, LABOUR STAFF

MANY OF Britain's smaller companies were confused by the collapse of the Government's hopes for a third phase of pay policy and the decidedly vague statements from the Chancellor which followed it, the Association of British Chambers of Commerce said yesterday.

The Association is sending out detailed guidelines to its 85 members to-day, advising them how to cope with the "very delicate stage of re-entry into free collective bargaining."

Mr. Tom Boardman, the association's president, said yesterday the guidelines were necessary because of the "overnight switch of Government policy." This meant there had been "virtually not preparation for this eventuality and there is in consequence much confusion up and down the country."

Mr. Boardman said Government's aim of keeping the overall national increase in average earnings to 10 per cent. in the coming year was misleading. "This sounds far too much like a norm—something which everyone treats as a norm to which they are entitled." Some groups of workers could be entitled to more than 10 per cent.—to iron out pay anomalies—but others would have to receive substantially less if the overall earnings target was to be met.

The association's guidance said: "Pay settlements which increase earnings by more than 10 per cent. will not be inflationary to the extent that, by greater productivity, they do not increase unit labour costs. The danger is that such settlements may be used as a precedent for equivalent or larger increases elsewhere which are not accompanied by comparable productivity gains."

Mr. Boardman warned that it was vital that the Government stood firm in the public sector and kept a tight control of the money supply. "If they fail then we are in for higher inflation and something over 2m. unemployed," he said.

"There is no escaping that a pay explosion triggered by failures in the public sector could, in our present circumstances, prove catastrophic to the British economy."

Dismissals law unfair to women says judge

A JUDGE yesterday called for changes in the law which bars women over 60 from seeking protection against unfair dismissal, but can give men that protection up to age 65.

"Clearly someone has a duty to do something about this absurd and unjust situation," said Mr. Justice Kilner Brown, at the Employment Appeal Tribunal in London.

The law concerned is part of the 1974 Trade Union and Labour Relations Act which the judge said set up a "double barrier" by excluding unfair dismissal claims from employees who had been sacked after reaching "normal retirement age" or attaining 65 in the case of men or 60 in respect of women.

The judge, sitting with lay judges from both sides of industry, ruled that because Miss Miriam Nothman, a maths teacher from Hendon, North London, lost her job with the Borough of Barnet when she was over 60, she was not entitled to claim unfair dismissal compensation. Her appeal against an industrial tribunal ruling that it had no jurisdiction to hear her claim was rejected.

The case provided "as glaring an example of discrimination against a woman on the grounds of her sex as there could possibly be," the judge said.

The normal retiring age in teaching for both sexes fluctuated between 60 and 65. Although a woman teacher aged 61 would find herself shut out from a claim for unfair dismissal, her male colleagues might not be excluded until they were 65.

Talks on Plessey sit-in to be held in London

TOP LEVEL talks are to be held in London to-day in an effort to end a sit-in by 150 women electronic workers, now in its ninth week at the redundant Plessey Telecommunications factory at Kirkby, Merseyside.

National officers of the Electrical Trades Union have asked for the meeting with senior management.

Mrs. Lily Allen, senior shop steward at Kirkby, who has been leading the campaign for severance pay of about £2,000, is travelling to London for the talks.

The Kirkby plant is one of two Merseyside factories closed by Plessey under a restructuring programme involving 1,400 redundancies because of cuts in orders for equipment from the Post Office.

A management spokesman said yesterday that although jobs were still available at the two remaining plants in Liverpool and Huyton and 15 of the women had been interviewed and offered employment, only one had accepted.

Meanwhile, equipment worth £500,000 remains immobilised as the sit-in goes on.

'Sackings over conflict threat'

THE PROSPECT of conflict on the flight decks of helicopters supplying North Sea oil rigs was the main reason that more than 50 striking pilots were dismissed, the Bristow Helicopters inquiry was told yesterday.

Captain Alistair Gordon, Bristow operations director, said there was a polarisation between the strikers and pilots who continued flying.

The Glasgow inquiry is into the seven-week stoppage by Bristow pilots at Aberdeen in April and May, sparked off by the dismissal of a pilot, who refused an overseas posting.

He told Mr. Michael Tugendhat, for Bristow's, that the reinstatement of the strikers would have meant their integration into one crewroom with the non-strikers.

"They would fly in an aircraft together with clearly major differences of opinion. Animosity had arisen. It would be extremely unwise to introduce this."

Mr. Tugendhat: "Were you aware of the public inquiry into the Trident crash at Slough in 1972?"

"Yes Sir."

"Were the circumstances raised in the report of that inquiry in your mind at all?"

"They had a very distinct parallel."

The report of an inquiry into the BEA Trident crash, in which 118 died, stated that heart trouble suffered by the captain during take-off had been aggravated just before the flight by a row in the crewroom over a pilots' industrial dispute.

A former U.S. Navy helicopter pilot and Vietnam veteran said he joined BALPA in 1976 as a direct result of his experiences with Bristow.

Captain Robert Britts, 32, said he "came very close to getting killed" in a near-miss during a military exercise in the North Sea, while he was flying a Bristow helicopter on charter duties.

"I complained to the chief pilot. He was unwilling to look into it. I complained to the Civil Aviation Authority who said they had no communication with the military."

Captain Britts said he contacted an RAF Wing Commander also, who said that all the information had been phoned to Bristow's, and he also complained to the navy.

Asked by Mr. Mike Palmer, a BALPA executive member if morale was low in Aberdeen at the end of 1976 and the beginning of 1977, he said: "It was rock bottom. It was frustration more than anything else."

Earlier, a 43-year-old ex-miner, who said he was waging a battle against his dismissal by the Coal Board, brought the inquiry to a sudden halt when he began shouting at the chairman, Lord McDonald, as the Scottish judge took his seat.

APPOINTMENTS

COMPANY NOTICES

THE RANDFONTEIN ESTATES GOLD MINING COMPANY WITWATERSRAND, LIMITED

(Incorporated in the Republic of South Africa)

DIVIDEND NO. 84
ON SHARE WARRANTS TO BEARER

Pursuant to the notice published on 10th June 1977, members are informed that the rate of exchange at which payments of the above dividend are to be despatched by the United Kingdom Paying Agents on 4th August 1977, is 1 Rand of 100 cents equals 66.6956p United Kingdom Currency. The gross dividend payable by the United Kingdom Paying Agents is therefore equivalent to 100.0434p per share.

Holders of Share Warrants to Bearer are informed that payment of dividend No. 84 will be made on or after 5th August 1977, upon surrender of Coupon No. 84 at the London Bearer Reception Office, 40 Holborn Viaduct, London EC1P 1AJ.

	Amount Payable per share (U.K. currency) p
Equivalent in United Kingdom currency of dividend declared	100.0434
Less: South African Non-Resident Shareholders' Tax at 15%	15.0065
AMOUNT PAYABLE WHERE A U.K. INLAND REVENUE DECLARATION IS LODGED WITH COUPONS	85.0369
Less: United Kingdom Income Tax at 19% on the gross dividend (see Notes 1 and 2 below)	19.0082
AMOUNT PAYABLE WHERE COUPONS ARE LODGED WITHOUT UNITED KINGDOM INLAND REVENUE DECLARATIONS	66.0287

COUPONS must be listed in duplicate on forms obtainable from the London Bearer Reception Office and deposited for examination on any week-day (Saturday excepted) at least seven clear days before payment is required.

BARNATO BROTHERS LIMITED,
London Secretaries.
D. W. J. PHILLIPS, Secretary.

99 Bishopsgate,
LONDON EC2M 3XE.
25th July 1977.

NOTES:

(1) The gross amount of the dividend for use for United Kingdom Income and Surtax purposes is 100.0434p per share.

(2) Under the Double Taxation Agreement between the United Kingdom and the Republic of South Africa, South African Non-Resident Shareholders' Tax applicable to the dividend is allowable as a credit against the United Kingdom Tax payable in respect of the dividend. The deduction of tax at the reduced rate of 19% instead of at the standard rate of 34% represents an allowance of credit at the rate of 15% in respect of South African Non-Resident Shareholders' Tax.

WEST RAND CONSOLIDATED MINES LIMITED

(Incorporated in the Republic of South Africa)

COUPON NO. 92.

HOLDERS OF SHARE WARRANTS TO BEARER are informed that they will, on or after the 5th August 1977, be paid 1.70035p per share, viz., 2.00041p the amount declared per share, less 0.30306p being South African non-resident shareholders' tax of 15% against surrender of Coupon No. 92.

Coupons must be deposited for THREE CLEAR DAYS for inspection before payment will be made:—

In London at National Westminster Bank Limited, Stock Office Services, 2nd Floor, 41, Lothbury, E.C.2.

In Paris at Credit du Nord, 6 and 8 Boulevard Haussmann, Paris (9e)

In Basle at Swiss Bank Corporation.

In Zurich at Credit Suisse.

Coupons belonging to holders resident in Great Britain and Northern Ireland will be paid as follows:—

	p
Amount of Dividend after deduction of South African non-resident shareholders tax of 15%	1.70035
Less: United Kingdom Income tax of 19% on the Gross Amount of the dividend of 2.00041p	0.38008
Net amount	1.32027

Listing Forms can be obtained from the National Westminster Bank Limited, at the address shown above.

By Order.
GENERAL MINING AND FINANCE CORPORATION LIMITED
London Secretaries
Per: L. W. HUMPHRIES.

25th July, 1977.
London Office,
Princes House,
95, Gresham Street,
EC2V 7BN.

NOTE. Under the double tax agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 19% instead of at the basic rate of 34% represents an allowance of credit at the rate of 15%.

TAISHO MARINE AND FIRE INSURANCE COMPANY, LIMITED

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS TO BEARER (EDR'S)

In accordance with clause 16 of the Deposit Agreement dated 17th September, 1976, Hambros Bank Limited hereby gives notice of the Convocation of the 60th Ordinary General Meeting of Shareholders of Taisho Marine and Fire Insurance Company, Limited. The particulars are as follows:—

1. Date and Time: 10 a.m. on July 27, 1977
2. Place: The head office of the Nomura Securities Co., Ltd. located at 9-1 Nihonbashi 1-chome, Chuo-ku, Tokyo
3. Purposes of the Meeting:
   - Matter to be reported: Report on the election of independent accountants.
   - First Item: Approval of the business report, balance sheet, profit and loss statement and proposal for appropriation of profits for the 60th business year (from April 1, 1976 to March 31, 1977)
   - Second Item: Election of one (1) Director due to vacancy
   - Third Item: Election of three (3) Statutory Auditors due to expiration of terms of office of all the Statutory Auditors.
   - Fourth Item: Change in the amount of remuneration to Directors and Statutory Auditors.
   - Fifth Item: Presentation of awards to retiring Directors and Statutory Auditors for their services.

Hambros Bank Limited,
41, Bishopsgate,
London E.C.2.
26th July.

THE BIRMINGHAM MINT LTD.

NOTICE IS HEREBY GIVEN that for the year ended 2nd April, 1977, a final dividend of 2.85p on each 25p ordinary share will be paid on Friday, 9th September, 1977, to all holders of ordinary shares registered in the books of the Company at the close of business on Monday, 1st August, 1977.

By Order of the Board.
A. SINGER, Secretary.

LEGAL NOTICES

No. 002186 of 1977

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of CIRENWARE LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 20th day of June 1977, presented to the said Court by MARS LIMITED whose registered office is situate at 145-149 Fenchurch Street, London, E.C.3, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 10th day of October 1977, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

J. E. BARING & CO.,
74, Chancery Lane,
London WC2A 1AA.
Solicitors for the Petitioners.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm, the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 7th day of October 1977.

COMPANY NOTICES

LONDON AUSTRALIA INVESTMENT COMPANY LIMITED

NOTICE IS HEREBY GIVEN that duly completed transfers on the register of stockholders received up to 5 p.m. on 5 August 1977 (Record date) will be registered before entitlements are determined to an interim dividend of 5% (5 cents per share) to be paid on 15 August 1977.

A. J. RICHTER, Registrar.

PARLIAMENT and POLITICS

Varley disclosure surprises MPs

Cabinet vetoed lifting of postal monopoly

BY IVOR OWEN, PARLIAMENTARY STAFF

PRIVATE enterprise operators might have been allowed to distribute the mail piling up at the Cricklewood postal sorting office as a result of the Grunwick dispute but for a Cabinet veto, Mr. Eric Varley, Industry Secretary, revealed in the Commons last night.

He told surprised MPs that the Post Office itself had suggested that its monopoly powers should be suspended to allow the blocked mail—said by Tory MPs to be threatening the viability of many businesses in the NW2 postal area—to reach its destination without further delay.

Mr. Varley said he had informed Post Office chiefs that it was the considered view of the Government—"the political view of the Government"—that suspension of the monopoly would exacerbate the situation.

He went on to make it clear that Ministers believed that the lifting of the monopoly in the Cricklewood sorting office area could only create further difficulties for postal users throughout Britain.

Tory MPs, who unsuccessfully pressed the Minister to offer compensation to those businesses being placed in jeopardy, even though they are not directly involved in the Grunwick dispute, rallied to the support of Sir Keith Joseph, shadow Industry Secretary, when he vigorously pressed questions on the lifting of the Post Office monopoly.

"Have your received any request that the postal monopoly should be removed for the relevant duration and area?" he demanded.

Mr. Varley initially replied that he had received no specific request from anybody living in the NW2 area for the lifting of the monopoly.

Some minutes later, Sir Keith returned to the issue by asking: "Has the Post Office itself suggested that the monopoly be removed for the duration and area concerned?" This brought Mr. Varley's disclosure that the Post Office had raised the issue of suspending its monopoly powers.

Mr. Norman Tebbit (C., Chingford) asked if there was any precedent for the Post Office suggesting that its delivery monopoly should be suspended and the Secretary of State concerned refusing to recommend that course of action to his colleagues.

Mr. Varley admitted that he did not know whether there was a precedent or not.

He flatly rejected a suggestion by Mr. John Gorst (C., Hendon N) who has been advising the Grunwick management throughout the dispute, that it was the Prime Minister himself who vetoed the suspension of the Post Office monopoly.

"I took that decision and recommended that decision to my colleagues," insisted Mr. Varley. "They accepted it."

In a reference to recent reports that he has been overruled in the Cabinet on a number of other questions, Tory MPs mocked: "That is a change."

Mr. Gorst was jeered from the Labour benches when he called on the Minister to issue a direction to the Post Office to dismiss those workers who refused to handle mail.

Sticking to the theme he has followed throughout the Parliamentary controversy over the Grunwick dispute, Mr. Varley said the Government wanted to see services throughout the country pursued normally.

On the issue of compensation for postal users not receiving their mail, he said there was no entitlement but he was prepared to look into the matter further with the Post Office Corporation.

Mr. Hugh Dykes (C., Harrow E.), who maintained that many small businesses were on the verge of bankruptcy as a result of the disruption of mail deliveries, demanded the sacking of Sir William Ryland, the Post Office chairman, for "gross incompetence."

Mr. Varley replied: "No."

Mr. Peter Thomas (C., Hendon N.) was cheered from the Opposition benches when he praised the decision of the Electrical Power Engineers' Association in refusing to withhold electricity supplies from the Grunwick factory.

The general secretary, he said, had stated that irrespective of the merits of any dispute, workers with a statutory obligation to provide services for the whole of the community would be "on the highway to anarchy" if they started down the road of discrimination.

Mr. Varley commented that the Government had consistently stated that normal services should be resumed in the Cricklewood postal area.

The Post Office was accused by Mr. Laurie Pavitt (Lab., Brent S.) of taking unfair and discriminatory action in favour of Grunwick by allowing 65 bags of the firms mail to be released over the week-end when other businesses in the area had been denied an opportunity to collect their own mail.

Mr. Varley explained that the Grunwick mail had been untranked and had not entered the postal system. The action over the 65 bags of mail had been taken after consultation with the Union of Post Office Workers.

"I was not informed until the action had been carried out," he added.

NEB funds for Leyland

THE National Enterprise Board is to provide further loan funds to British Leyland of up to £100m., Mr. Eric Varley, Industry Secretary, told the Commons yesterday.

Mr. Varley said, that as the NEB would lend British Leyland the money out of its own funds it would be able to satisfy itself that sufficient progress on reforming industrial relations was being made each time the company sought to draw on the new loan.

The NEB expected Leyland to ask for more money before the end of the financial year. This was in line with the Ryder report that £200m. would be needed for this year.

Sir Keith Joseph, shadow Industry Secretary, said that the Opposition welcomed the improvement in industrial relations—although three months was a vry short period.

He wondered whether the new Mini would be a more profitable investment than the present car and more profitable than new models in the middle of the range.

Sir Keith wanted to know whether the 12-month rule on pay increases would prevent the company from moving to a common negotiating date, as it wished.

He also said it would be hard to justify spending taxpayers money on Leyland if the company was not providing 50 per cent. of the investment from its own resources.

Mr. Varley told him that this condition still applied to any State aid. Discussions were continuing on how to move to a common negotiating date which was still an objective of the management and unions.

It had been the recommendation of the NEB that the new Mini represented the best option for the company, the Secretary of State added.

Mr. Raj Miller (C. Bromsgrove and Redditch) emphasised that it was important to secure the confidence of Leyland workers, of those selling cars, and of those who would buy them. He wanted to know whether there were any plans for organisation changes or financing arrangements.

Mr. Varley said that the plan originally put before MPs would be the one pursued by Leyland and the NEB. It was still the Government's intention that the bulk of the investment necessary would have to come from Leyland's own profitability.

He also stressed that Leyland must take note of the Government's new pay guidelines when it came to wage negotiations.

COMMONS TO-DAY SITS IN JUDGMENT

Right to discipline MPs an ancient privilege

BY PHILIP RAWSTORNE

FOR THE FIRST time for 30 years, the House of Commons will to-day sit in judgment on the conduct of two of its own members.

Mr. Reginald Maudling, the former Conservative Cabinet Minister, and Mr. Albert Roberts, Labour MP for Normanton, will, in effect, be on trial for behaviour "inconsistent with the standards which the House is entitled to expect from its Members."

The charge has been levelled by the all-party Select Committee of MPs which investigated their business relations with the architect John Poulson.

Mr. John Cordle, accused more seriously of contempt of Parliament in the same affair, resigned his Commons seat last week.

Both Mr. Maudling, an MP since 1950, and Mr. Roberts, who entered the Commons a year later, will defend themselves vigorously in personal statements before their fellow MPs to-day. For the least of the penalties that could be inflicted on them—a reprimand from the Speaker—is an awesome ordeal.

The Speaker, wearing a black tricorn hat, sits in the Chair to deliver the rebuke to the MP, standing at his place among his colleagues. Delivered in formal, solemn language, the displeasure of the Commons is not something that can be lightly forgotten.

But the two MPs will face demands to-day for even harsher penalties: suspension until the end of the session, or even expulsion. These moves will come from the backbenches, for Mr. Michael Foot, Leader of the House, has made plain his personal reluctance for his role of prosecutor.

Mr. Foot, moving that the House agrees with the Select Committee's report, would prefer judgment to be left to the electors of the MPs' constituencies at a future election. It is to them that the MPs are ultimately responsible, he believes. The Commons should not summarily exercise its mediaeval rights in the second half of the 20th century.

It was an attitude adopted by Mr. Herbert Morrison, Leader of the House, when Mr. Garry Allighan, Labour MP for Gravesend, was accused of "gross contempt" in 1947. He was a journalist who had accused other MPs in an article, of passing confidential information about meetings of the Parliamentary Labour Party while drunk or for payment.

After misleading the investigating Commons committee he admitted he had himself received payment for passing information.

Mr. Morrison moved his suspension for six months. But Mr. Quintin Hogg, now Lord Hailsham, called for Allighan's expulsion. And by 187 votes to 75, the MP was escorted out of the Commons by the Serjeant-at-Arms, never to return.

Only one MP has been expelled since—Mr. Peter Baker, Tory MP for South Norfolk, who was formally removed after being convicted of forgery and sentenced to seven years' imprisonment in 1954.

But despite the growing reluctance to use its judicial powers, a strong body of opinion still adheres to the belief that the Commons would lose its authority and dignity if they were not brought to bear against occasional offenders.

Erskine May, the manual of Parliamentary practice, states that "the purpose of expulsion is not so much disciplinary as remedial, not so much to punish Members as to rid the House of persons who are unfit for membership."

But in 1593, it was said in the Commons: "This court for its dignity and highness hath privilege . . . and as it hath privilege and jurisdiction, so hath it also Coercion and Compulsion." Without them, the privilege would soon become extinct, it is still argued.

Twelve years before, in 1581, the Commons had already established its right to discipline its own members. Mr. Arthur Hall, a burgess for Grantham, was expelled, fined and imprisoned for publishing a book which questioned the authority of the House and slandered individual members.

The book, it was complained, "reproached some particularly good Members of the House."

The Commons did not hesitate to use the "coercion and compulsion" on errant MPs throughout the 17th and 18th centuries. MPs were expelled for various reasons ranging from corruption to conduct unbecoming an officer and gentleman, from open rebellion to fraud.

Horatio Bottomley, the flamboyant confidence trickster, ejected in 1922, followed an undistinguished line that began with the directors of the South Sea "bubble" in 1720.

But the argument that the Commons should leave the final sentence or reprieve to the electorate finds its origins similarly deep in the past.

John Wilkes, the journalist and wit, vindicated the right of electors to return the candidate of their choice in the late 18th century. As MP for Aylesbury, he attacked the King's speech in his periodical, the North Briton, in 1763. He was prosecuted for seditious libel, discharged because of his privilege as an MP but then expelled by the Commons and outlawed.

He returned to England and was elected for Middlesex in 1769. Again he was expelled. Three times, he was re-elected by the Middlesex voters, and each time his election was declared void.

Wilkes returned again to the Commons at the beginning of a new Parliament in 1774 and was allowed to take his seat. Eighteen years later, all the previous Commons motions against him were expunged from the Journals as "subversive of the rights of the whole body of electors of this kingdom."

When Charles Bradlaugh, MP for Northampton was expelled in 1882 for refusing to take the oath, and was returned immediately by the citizens of Northampton, the Commons made no attempt to exercise its rights against the judgment of the electorate.

Owen sees 'grounds for pessimism' over Smith attitude

TALKS ON the Anglo-U.S. peace initiative for achieving a negotiated settlement in Rhodesia, will resume in London around August 11-12, Dr. David Owen, Foreign Secretary told the Commons yesterday.

"Meanwhile, detailed work will continue with a view to putting forward specific proposals to all the parties," he added.

During exchanges Dr. Owen said that actions by Mr. Smith since April gave "some grounds for pessimism" about the genuineness of the Rhodesian leader's commitment to black majority rule."

The Foreign Secretary told MPs: "We are all agreed that the situation in Rhodesia is potentially so serious that the Anglo-U.S. initiative, despite all the difficulties, should continue and that we should do all we can to bring about an independent non-racial Zimbabwe after a fair election and on the basis of universal suffrage."

Peace could only come from an agreement between the blacks and whites who would live together in an independent Zimbabwe.

Replying to Mr. John Davies, Opposition foreign affairs spokesman, Dr. Owen said he would have liked to bring proposals before the Commons for a full debate but factors outside his control had prevented it.

Disagreement had arisen over interpretations of a broadcast by Mr. Smith, in which he had appeared to qualify his commitment to one man, one vote.

Dr. Owen added that moves by Mr. Smith, such as the raids into Mozambique, and detentions, had given him "some grounds for pessimism" about the Rhodesian leader's commitment to black majority rule.

He told Mr. Jeremy Thorpe, Liberal spokesman that there had been extensive consultations with Bishop Muzorewa and all the major nationalist leaders on a constitution and proposals were very close to being produced. But security in the transitional period was a "very, very difficult issue," which still had to be resolved.

Dr. Owen said it might be possible to resolve it, given a "firm commitment" by the U.S. and Britain, and some measure of unanimity from the front line President and South Africa.

He assured Mr. Julian Amery (C., Brighton Pavilion), who was concerned about the role of the Patriotic Front, that he would not allow any one group to have an ultimate veto. "We do not intend to choose the leadership of the people of Zimbabwe. It is for the people of Zimbabwe."

Mr. Arthur Bottomley (Lab., Middlesbrough) asked about the use of British troops to achieve a settlement.

Dr. Owen replied: "That is a threshold across which every successive Government, since 1965 has not been prepared to go."

In reply to Mr. Robert Hughes (Lab., Aberdeen N), the Foreign Secretary said: "If it had been in my power, I would have removed Mr. Smith the day I took office. I don't believe he has a contribution to make to black majority rule and peace in Rhodesia.

"But he is the person I have to negotiate with and I have, therefore, been prepared to meet and discuss things with him."

Mr. Martin Flannery (Lab., Hillsborough) said many were doubtful about the Anglo-U.S. proposals resulting in Rhodesia. After Vietnam, black nationalist leaders had repeatedly made clear that they did not want America involved in southern Africa.

Dr. Owen replied that the U.S. administration had made clear that it had no intention of putting troops into Rhodesia or any other place in Africa. He knew of no major nationalist leader who did not welcome the very positive attitude and stance taken by the U.S.

Mr. Stephen Hastings (C., Mid Bedfordshire) thought that the key to success was the preservation of the integrity of the Rhodesian security forces. Failure to recognise this could lead to an evaporation of confidence among the European population and almost inevitably to bloody tribal war.

Dr. Owen agreed that this was a core of the difficulty over the transitional period to majority rule. The Rhodesian general commanding had said the army owed allegiance to any legitimate Government and would serve under a black majority Government. The trouble was that it was not seen as a neutral force.

Coal Bill suffers defeats in Lords

THE GOVERNMENT was defeated in the Lords yesterday on a Tory proposal to ensure control over NCB working of minerals other than coal.

Peers insisted by 105 votes to 58—a majority of 47—on writing into the Coal Industry Bill a provision which requires approval by the Energy Secretary before the Board can work minerals found in the search for coal.

During report stage of the Bill, which increases the NCB's borrowing powers, Lord Sandford (C.) claimed the proposal merely enshrined in the Bill assurances already given by the Government.

For the Government Lord Strabolgi said that, under assurances already given by the Government, if the NCB wanted to mine aggregates within five years of the Bill passing into law, they would have to notify representatives of the industry and discussions would take place.

The NCB would still have to secure the right to work the minerals and get planning permission. "It is extremely unlikely that these powers will be used to any significant extent."

The Government suffered two further defeats on Tory proposals to limit the NCB's powers to work minerals.

The first, passed by a majority of 50—109 to 59—obliges the Secretary of State, before giving approval, to consult the Environment Secretary, take into account the capacity of the mineral industry and decide the Board's action "would be commercially reasonable and in the national interest."

The second Tory proposal, which had a majority of 57, forces the NCB to notify the mineral industry and to consider representations where it wants to use its powers under the Bill to work these minerals. Voting was 118 to 61.

Procedure reform call by Liberals

BY RUPERT CORNWELL, LOBBY STAFF

THE LIBERALS have come forward with an eight-point plan to overhaul current Parliamentary procedure to enable the Commons to regain a grip on legislation and to organise its work more effectively.

The proposals come in evidence submitted to the Select Committee on Procedure, published for the first time yesterday. They are aimed to complement the constitutional reforms for which the party has long pressed—including proportional representation, a remodelled House of Lords, and fixed-term legislatures.

Parliament, the document says, "like other parts of our obsolescent society, seems designed for confrontation and institutionalised conflict." But scope does exist for improvement in the existing organisation of Westminster.

Top of the list of recommended changes is the creation of a powerful Business Committee, which would represent the whole House.

This would largely replace the present practice of settling matters between the two Whips' offices (the "usual channels" as they are known), and would be responsible for timetabling guillotine motions to make the best use of the reduced time available for debating a measure.

The new committee would also look after private members' Bills. These would no longer run the risk of being "talked to death," as now frequently happens. Instead, a vote would always be taken at the end of a debate.

The Liberals throw their weight behind growing demands that MPs should be brought much earlier into the legislative process. This would be achieved by giving Parliament the chance to debate a "proposal to legislate" before a Bill is finally drafted.

They also back the fashionable idea of permanent Select Committees on particular subjects, which would have far more than their present watching brief over a Department and wouldl make a real contribution to policy.

Among other suggestions canvassed is the introduction of proxy voting. This would prevent "the recurrent spectacle" of sick MPs being brought in by ambulance to vote in key divisions which had "brought the House into public disrepute."

Meanwhile, time available to the Opposition should be more fairly divided so that larger minority parties like the Liberals and the Nationalists have a better opportunity of getting their views across.

Major devolution changes likely

BY RAY PERMAN, SCOTTISH CORRESPONDENT

THE GOVERNMENT'S new devolution White Paper, to be published to-day, is expected to show a number of major concessions to the Liberals but will not include any change in responsibility for the eight Scottish universities.

This was made clear yesterday by Mrs. Shirley Williams, the Secretary for Education and Science, who was visiting research establishments in Edinburgh and Glasgow.

She said that the Government had considered the argument that the proposed Scottish Assembly should have responsibility for the universities as it would have over the rest of education in Scotland, but had rejected it on two grounds.

Splitting the university system could lead to expensive duplication of advanced research and would also make more difficult the problem of adapting to a fall in student numbers, she said.

The Government was well disposed, Mrs. Williams added, to setting up a Higher Education Council for Scotland and to giving the University Grants Committee a special responsibility for Scotland and Wales.

Pressure from the Liberals and from the Labour Party and TUC in Scotland for the whole of higher education to be devolved to the Assembly has been fiercely resisted by university principals.

The White Paper is expected to contain several major changes from the Scotland and Wales Bill, which was killed by the failure of the guillotine motion in February.

It is expected to announce separate Bills for Scotland and Wales, a reduction in the powers of the Secretary of State for Scotland to oversee Assembly legislation, and a new arrangement for financing the Assembly, although this will stop short of the original Liberal demand for a share of the oil revenues to be directly allocated to Scotland.

Callaghan firm on doctors' pay

BY RICHARD EVANS, LOBBY EDITOR

THE GOVERNMENT moved towards a collision course with doctors and dentists yesterday when the Prime Minister called in the chairmen of three review bodies to spell out the Government's pay guidelines for next year.

Present at a Downing Street meeting were Lord Boyle, chairman of the Top Salaries Review Body, Sir Ernest Woodroffe, chairman of the Doctors and Dentists Review Body, and Sir Harold Atcherley, chairman of the Armed Forces Review Body.

Mr. Callaghan explained the Government's policy of seeking settlements in the coming year of not more than 10 per cent.

and sticking rigidly to th ... month rule on wage and ... The indications were that ... was no sign of compromise ... on Mr. Callaghan's ... the Government seems ... shaping up for a confro[ntation] ... with the doctors in part[icular] ... who are demanding much ... than Ministers are prepa[red] ... A claim is being ... and with the threat of ind[ustrial action] in some cases.

Mr. Peter Shore, Secret[ary for] the Environment, took the ... yesterday, at a m[eeting] with local authority repr[esentatives], to emphasise the G[overnment's] pay policy.

Minister hints at inqui[ry] into M-way charges

THE GOVERNMENT may launch an inquiry into prices charged at motorway service stations, the Commons heard yesterday. Mr. Robert Maclennan, Under Secretary for Prices, told MPs: "I am considering seriously and urgently the possibility of a reference to the Price Commission."

Mr. Arnold Shaw (Lab., Ilford S.) had called for an immediate inquiry into the "scand[alous]" prices and the virtual mo[nopoly] of companies at the sta[tions].

Mr. Peter Emery (C., H[oniton]) said that the last time prices had dropped by pence, the stations had their monopoly situati[on] ... keep their prices up. He ... the Government to c[onsider] giving franchises for sales to more than one ... encourage competition.

Lettuce prices 'a racket'—MP

THE SALE of lettuces at 10p to 13p, when farmers were getting 1p or 2p, was "daylight robbery," Mr. John Ellis (Lab., Brigg and Scunthorpe) declared in the Commons yesterday.

Mr. Gwilym Roberts (Lab., Cannock) added: "The whole thing is a racket with people cashing in at every stag[e]." He called for an investigati[on of] the whole mechanism of s...

Mr. Robert Maclennan, Under Secretary, replie[d that] new powers under the Pri[ce Com]mission Bill, now going th[rough] Parliament, would giv[e the] Government power to ... future.

World Value of the Pound

The table below gives the latest available rates of exchange for the pound against various currencies on July 25, 1977. In some cases rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Exchange in the U.K. and most of the countries listed is officially controlled and the rates shown should not be taken as being applicable to any particular transaction without reference to an authorised dealer.

Abbreviations: (S) member of the sterling area other than Scheduled Territory; (k) Scheduled Territory; (o) official rate; (F ... rate; (T) tourist rate; (n.c.) non-commercial rate; (n.a.) not available; (A) approximate rate no direct quotation available; (sg) selling rate; (bg) buying rate; (nom.) nominal; (ex) exchange certificate rate; (P) based on U.S. dollar parities and going sterling dollar rate; (Bk) bankers' rate; (Bas) basic rate; (cm) commercial rate; (cn) convertible rate; (fn) financial rate.

Sharp fluctuations have been seen ... in the foreign exchange market. Rates ... table below are not in all cases closing ra[tes on] the dates shown.

Place	Local Unit	Value of £ Sterling
Afars & Issas	Djibouti Franc	♥
Afghanistan	Afghani	88(A)
Albania	Lek	O 10.10(A)
		n.a.
Algeria	Dinar	7.08
Andorra	French Franc	8.27¼
	Spanish peseta	146.55
Angola	Kwanza	n.a.
Antigua (S)	E. Caribbean $	4.6457
Argentina	Ar. Peso Free Rate	782.62
Australia (S)	Australian $	1.52880
Austria	Schilling	27.55
Azores	Portug. Escudo	65.77½
Bahamas (S)	Ba. Dollar	1.7188
Bangladesh (S)	Taka	26.50(sg)
Bahrain (S)	Dinar	0.67a
Balearic Is.	Spa. Peseta	146.55
Barbados (S)	Barbados $	3.4400
Belgium	B. Franc	(cm)60.60
		(fn)60.55
Belize	B $	3.4400
Benin	C.F.A. Franc	413½
Bermuda (S)	Bda. $	1.7188
Bhutan	Indian Rupee	15.15(sg)
Bolivia	Bolivian Peso	34.596
Botswana (S)	Pula	1.4244
Brazil	Cruzeiro	24.98
Br Virgin Is(S)	U.S.$	1.7188
Brunei (S)	Brunei $	4.1900
Bulgaria	Lev	1.6549
Burma	Kyat	12.50
Burundi	Burundi Franc	154.82
Camero'n Rp	C.F.A. Frank	413½
Canada	Canadian $	1.8565
Canary Is.	Spanish Peseta	146.55
Cape Verde I.	Cape V Escudo	n.a.
Cayman Is. (S)	Cay. I. $	1.45325
Cent. Af. Rp.	C.F.A. Franc	413½
Chad	C.F.A. Franc	413½
Chile	C. Peso	(Bk) 36.57
China	Renminbi Yuan	3.1794
Colombia	C. Peso	(F) 62.9
Comoro I'ds.	C.F.A. Franc	413½
Congo (B'ille)	C.F.A. Franc	413½
Costa Rica	Colon	14.791
Cuba	Cuban Peso	1.3382
Cyprus (S)	Cyprus £	0.6987
Czechoslovak.	Koruna	(com)9.70
		(nc)16.70
		(T)16.56
Denmark	Danish Krone	10.15¾
Djibouti	Fr.	300(sg)
Dominica (S)	E. Caribbean $	4.6457
Domin. Rep.	Dominican Peso	1.7188
Ecuador	Sucre	(O) 42.78
		(F) 46.44
Egypt	Egyptian £	0.6785
		(T) 1.2275
Ethiopia	Ethiopian Birr	(P) 3.5645
Eq'l Guinea	Peseta	146.55
Falkland Is. (S)	Falkland Is. £	1.0
Faro Is.	Danish Krone	10.15¾
Fiji Is. (S)	Fiji $	1.57425
Finland	Markka	6.87
France	French Franc	8.2725
Fr. C'tyin Af◆	C.F.A. Franc	413½
Fr. Guiana	Local Franc	8.27¼
Fr. Pac. Is.	C.F.P. Franc	150.41
Gabon	C.F.A. Franc	413½
Gambia (S)	Dalasi	4
Germany (East)	Ostmark	3.87

Place	Local Unit	Value of £ Sterling
Germany West	Deutschmark	3.87
Ghana (S)	Cedi	1.9652
Gibraltar (K)	Gibraltar £	1.00
Gilbert Is.	Aust. Dollar	1.52880
Greece	Drachma	62.3885
Greenland	Danish Kroner	10.15¾
Grenada (S)	E. Caribbean $	4.6457
Guadaloupe	Local Franc	8.27¼
Guam	U.S. $	1.7188
Guatemala	Quetzal	1.7188
Guinea Rep.	Sily	36.899
Guinea Bissau		65.898
Guyana (S)	Guyanese $	4.3680
Haiti	Gourde	8.60
Honduras Rep	Lempira	3.45
Hong Kong (S)	H.K. $	7.96750
Hungary	Forint	(com) 70.86
		(nc) (T) 34.92
Iceland (S)	I. Krona	338.25
India (S)	Ind. Rupee	15.15(sg)
Indonesia	Rupiah	715.75
Iran	Rial	(A) 121
Iraq	Iraq Dinar	0.50728
Irish Rep (k)	Irish £	1.00
Israel	Israel £	16.5810
Italy	Lira	1.516
Ivory Coast	C.F.A. Franc	413½
Jamaica (S)	Jamaica Dollar	2.1500
Japan	Yen	455
Jordan (S)	Jordan Dinar	0.555(sg)
Kampuchea	Riel	2094.0
Kenya (S)	Kenya Shilling	14.1586
Korea (Nth)	Won	4.56(g)
Korea (Sth)	Won	832.35
Kuwait (S)	Kuwait Dinar	0.499
Laos	Kip Pot Poi	345.88
Lebanon	Lebanese £	5.4549
Lesotho	S. African Rand	1.4sol
Liberia	Liberian $	1.7188
Libya	Libyan Dinar	(P)0.5081
Liecht'nstn	Swiss Franc	4.10
Luxembourg	Lux Franc	60.60
Macao	Pataca	8.59778
Madeira	Portug'se Escudo	65.77½
Malagasy Rp.	MG Franc	413½
Malawi (S)	Kwacha	1.5561
Malaysia (S)	Ringgit	4.227
Maldive Is. (S)	Mal Rupee	12.4301
Mali Rp.	Mali Franc	827.25
Malta (S)	Maltese £	n.a.
Martinique	Local Franc	8.27¼
Mauritania	Ouguiya♣	82.8911
Mauritius (S)	M. Rupee	11.2791
Mexico	Mexican Peso	39.47
Miquelon	C.F.A. Franc	413½
Monaco	French Franc	8.27¼
Mongolia	Tugrik	(O)5.25(sg)
Montserrat	E. Caribbean $	4.6457
Morocco	Dirham	7.70(sg)
Mozambique	Moz. Escudo	56.6075
Nauru Is.	Aust. Dollar	1.52880
Nepal	Nepalese Rupee	21.5417
Netherlands	Guilder	4.1475
Neth. Ant'les.	Antillian Guild	3.0785
New Hebrides	Franc	133.70
	Austl. Dollar	1.52880
N. Zealand (S)	N.Z. Dollar	1.7685
Nicaragua	Cordoba	11.19
Niger Rp.	C.F.A. Franc	413½
Nigeria (S)	Naira	1.106584(sg)
Norway	Nrwg. Krone	9.321½
Oman Sultanate of (S)	Rial Omani	0.595
Pakistan	Pkst. Rupee	16.79(sg)
Panama	Balboa	1.7189
Papua N.G. (S)	Kina	1.34875

Place	Local Unit	Value of £ Sterling
Paraguay	Guarani	
P'pl's D.Rp. of Yemen (S)	S. Yemen Dinar	
Peru	Sol	
Philippines	Ph. Peso	
Pitcairn Is. (S)	£ sterling	
	New Zealand $	
Poland	Zloty	
Portugal	Pgse Escudo	
Port Timor	Timor Escudo	
Principe Isle.		
Puerto Rico	U.S. $	
Qatar (S)	Qatar Ryal	
Reunion, Ile de la	French Franc	
Rhodesia	Rhodesian $	
Romania	Leu	
Rwanda	Rwanda Franc	
St. Christopher (S)	E. Caribbean $	
St. Helena	St Helena £	
St. Lucia (S)	E. Caribbean $	
St Pierre	C.F.A. Franc	
St. Vincent (S)	E. Caribbean $	
Salvador El	Colon	
Samoa (Am)	U.S. $	
San Marino	Italian Lire	
Sao Tome	Pgse. Escudo	
Saudi Arabia	Ryal	
Senegal	C.F.A. Franc	
Seychelles	S. Rupee	
Sierr Le'ne (S)	Leone	
Singapore (S)	Singapore $	
Solomon Is (S)	Australian $	
Somali Rep.	Som Shilling	
Sth. Africa (S)	Rand	
S.W. Africa Territories (S)	S. A. Rand	
Spain	Peseta	
Span. Ports in North Africa	Peseta	
Sri Lanka (S)	S. L. Rupee	12.
Sudan Rp.	Sudan £	.40
Surinam	S. Gilder	
Swaziland (S)	Lilangeni	
Sweden	S. Krona	
Switzerland	Swiss Franc	
Syria	Syria £	
Taiwan	New Taiwan $	
Tanzania (S)	Tan. Shilling	
Thailand	Baht	
Togo Rp.	C.F.A. Franc	
Tonga Is. (S)	Pa'anga	
Trinidad (S)	Trin. & Tobago	
Tunisia	Tunisian Dinar	
Turkey	Turkish Lira	
Turks & C's	U.S. $	
Tuvalu	Australian $	
Uganda (S)	Ug. Shilling	
Utd. States	U.S. Dollar	
Uruguay	Uruguay Peso	
Utd. A'b Emis.	U.A.E. Dirham	
U.S.S.R.	Rouble	
Upper Volta	C.F.A. Franc	
Vatican	Italian Lira	
Venezuela	Bolivar	
Vietnam (Nth)	Dong	
Vietnam (Sth)	Piastre	
Virgin Is. U.S.	U.S. Dollar	
Western Samoa (S)	Samoan Tala	
Yemen	Ryal	
Yugoslavia	New Y Dinar	
Zaire Rp.	Zaire	
Zambia	Kwacha	

◆ That part of the French community in Africa formerly part of French West Africa or French Equatorial Africa.
◆◆ Rupees per pound. Tourists visiting Sri Lanka receive a premium of 65 cents per cent.
♣ The Ouguya has replaced the CFA franc. The exchange was made at a rate of CFA Frs5 to one unit of the new currency.
♥ Afars and Issas now Djibouti.
(x) General rates of oil and iron exports 7.2236.
(‡) The Mongolian tugrik has been ... an official commercial rate of 0.229 Russian roubles, the North Vietnamese dong at 0.606 roubles and the North Korean won at 0.7483 roubles. With the ... standing at 1.28 roubles the following relationships can be calculated for the pound: £=5.89 tugriks, ... dongs, £=1.789 won.
• Rate is the Transfer market (controlled).
•• Rate is now based on 2 Barbados $ to the dollar.
† Now one official rate.
†† Two-tier system introduced April 25. Rate is for non-essential imports and tourism. Rate for e... imports 1.348.

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The Management Page

EDITED BY CHRISTOPHER LORENZ

The TGWU's use of stockbroking help adds a new dimension to pay claims

landmark for unions and the City

BY MICHAEL LAFFERTY

...of a special report ...ed from stock- ...illips and Drew by ...port and General ...nion in presenting ...pay claim for their ...t the Ford motor- ...well be a landmark ...nduct of collective ...as well as for stock- ...l City institutions in

...ssues not only about ...r in which pay ...should be con- ...d the information ...d be made available ...but also about the ...which stockbrokers ...as consultants and ...vices to anyone pre- ...y for them.

...lar image of the way ...ide union pay claims ...ed is not flattering. ...e appear to imagine ...ives are frequently ...ttle regard to com- ...ility to pay, and ...ithout any thorough ...of their financial

...who believe this ...typifies the overall ...often heard to argue ...uld be so much more ...if only the unions ...pare their claims on ...of rational financial ...rather like the ...unions are supposed ...t only would this be ...e civilised, it would ...t that the unions ...effect, be accepting the capitalist system, the story goes.

On the face of it, the 80-page document setting out the Ford motorworkers' 1977 wage claim goes a long way towards being what such critics would like it to be. It pays considerable attention to the company's annual report, it contains an expert analysis of both the historic and inflation-adjusted accounts, it has lots of information about the motor industry, and has plenty to say about conditions of work at Ford. It also contains a profit forecast, which claims that pre-tax profits will be up from £122m. to £200m. in 1977, with sales about one-third higher at £2,200m.

The TGWU was assisted in preparing the claim by the small Trade Union Research Unit at Ruskin College, Oxford, which is financed by the trade union movement. The three-man unit had helped with previous Ford wage claims in 1971 and 1973, and has also done work for the agricultural workers' claims.

The analysis and critique of the Ford 1976 accounts which takes up a substantial part of the pay claim document was mainly done by Mr. John Hughes, the Director of the Unit. It was on his recommendation that the union commissioned Phillips and Drew to provide "an independent and expert opinion" on the inflation-adjusted current cost accounts (CCA) which figured prominently in Ford's annual report.

In choosing Phillips and Drew, Mr. Hughes would have had a good idea of what sort of report he was likely to get. After all, the firm's senior research partner, Mr. Martin Gibbs, was one of the more notable contributors to the inflation accounting debate. He has been a consistent advocate of a particular approach to the problem which is now fairly well known as the "Gibbs system." Unlike the accountants' draft standard, known as ED 18, which Ford followed, his method produced profit figures which are generally higher. ED 18, of course, has now been effectively rejected by the accountancy profession and any new approach is likely to be more in line with the "Gibbs system."

Phillips and Drew told the TGWU that Ford's CCA figures, which showed post-tax profits of £5.6m. against £59.1m. on the conventional basis, were in accordance with ED 18.

But they went on to state: "We believe that the figure of £5.6m. seriously understates the 'real' profits of the year, since it ignores the effect of inflation on the company's net liabilities. We regard the figure of £67m., shown in Ford's current cost appropriation account, as a more meaningful indication of the results of the year's operations so far as the shareholders are concerned.

"An alternative, and we believe preferable, method of adjusting for the effect of inflation on the net liabilities would show pre-tax profits of £27m. and a surplus available for appropriation of £61m."

VERSIONS OF FORD'S 1976 PROFITS

	Conventional basis	Inflation-adjusted: Ford's version	Inflation-adjusted: Phillips and Drew's version
	£m	£m	£m
Pre-tax profits	122	25	47
Tax	63	19	19
Post-tax profits	59	6	27
Revaluation surplus	—	61	34
Available for appropriation	59	67	61

The brokers' report went on to stress that the distributable surplus under either method would normally only be backed by an equivalent cash flow if the directors were prepared to increase borrowings in line with the value of the company's assets. As it is, Ford's borrowings fell by £40m. last year. This, say Phillips and Drew, was primarily due to the low level of capital investment in 1976 when compared with the current cost value of the depreciation. The report concluded that, while there was no particular reason why volume of investment should be maintained in individual years, "it would be worrying if this position were to continue for several years since the implication would be that the company was failing to maintain its volume of fixed assets and other equipment."

That was the extent of the Phillips and Drew exercise. The firm produced a straightforward analysis of the CCA accounts, and left the union to draw its own conclusions, none of which are entirely surprising.

"If we take Ford's exercise in inflation accounting seriously what these accounts seem to show is that Ford is failing its labour force and the U.K. community by not maintaining and expanding its productive capital, despite the great increase in profits that the restraint in pay increases has enabled Ford to make," comments the TGWU.

And it concludes: "We certainly now see the Ford directors' attempt to focus attention on an alleged disappearance of profitability under the new inflation accounting approach as a serious distortion of reality." Not surprisingly, Phillips and Drew's venture into this brave new world has been criticised, not least by some other stockbrokers. Many of the critics appear to believe that it is not a broker's function to provide services to anyone other than investors. Others appear to regard what was done as "helping the other side," while still others have claimed, unfairly, that companies may be less willing to give brokers information if there is a danger of it ending up in the hands of unions.

None of this makes sense—either in this particular case, or even in general. The stockbroking community has already declined considerably over the past ten years. To imagine that its future lies solely in serving what is vaguely called the investing community, is therefore hardly realistic. In any case, most of the deals on which brokers earn their living are now accounted for by pension funds and other institutions investing on behalf of the average British worker.

Indeed the process of brokers adjusting to a broader role of being willing to provide consultancy and other services to anyone willing to buy them is already well under way. Examples include the Wood Mackenzie North Sea service, the recent research analysis on agrochemicals designed specifically for industrial users, also from Wood Mackenzie, and Phillips and Drew's monthly economic forecasts.

Unjustified

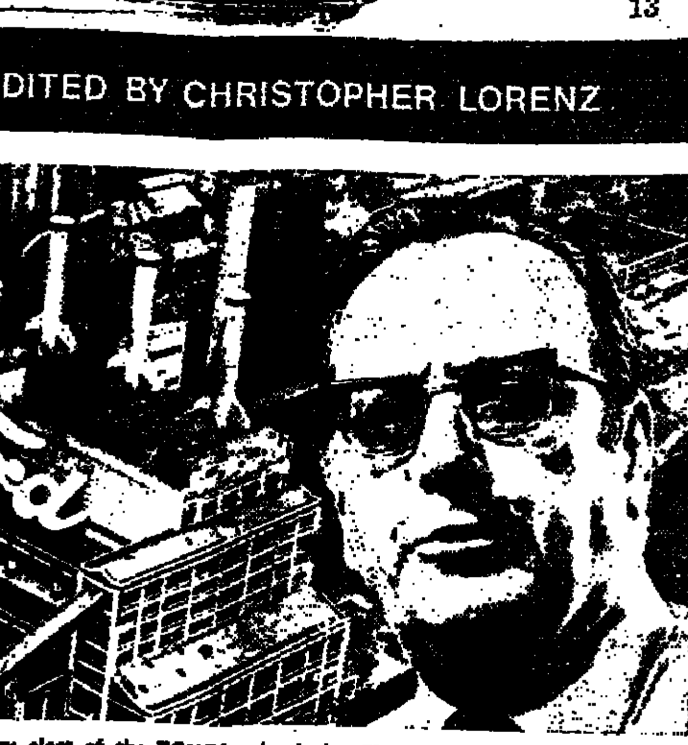
The most unjustified criticism of the Phillips and Drew report to the TGWU has come from those who have implied that they were somehow using their privileged position, possibly as possessors of confidential information about Ford, to help the union. It ought to be obvious that the brokers did not need any special information about Ford to perform this relatively simple technical analysis, as any intelligent reader of the report would find.

Another interesting aspect of the Ford pay claim is a section of the document giving details of the extra information about the company's affairs which the union requested prior to submitting its pay claim. Generally the data sought was in line with the voluntary disclosure code on collective bargaining issued under the provisions of the Employment Protection Act 1975. The request ranged from information about pay and benefits, manpower plans, and productivity and efficiency data at plant level to details of intra-group payments, transfer prices, accounts for Ford Germany, France, Belgium and Spain, and the company's future plans.

The union was obviously over-optimistic in asking for all this information. But it does not seem unduly surprised or upset that the company has not felt able to come up with very much of what was asked for.

While there seems to be some agreement that trade unions should be entitled to additional information about a company above and beyond that required to be disclosed automatically to shareholders or brokers it is probably impossible to specify what it should be in all circumstances. What it is reasonable to expect must depend on many factors, from the size of the company and the type of business to the use which the union may make of the information. However, there seems to be a good case for the Stock Exchange to insist that all quoted companies should make any information given to unions or employees available to shareholders on request. Equally, there are arguments for saying that the unions should be able to obtain any information given to brokers. There have been cases where sales and profit analyses have been given in employee reports, where the same information was not supplied to shareholders.

The fact that there cannot be any set rules about what information should be made available to trade union negotiators emphasises the importance of their using what information they have to best advantage. This is where the services of economists, stockbrokers and accountants may be increasingly called upon.



Mr. Moss Evans, general secretary elect of the TGWU, who is handling the Ford pay claim, against a background of Ford's Dagenham works.

Strong advocate

Mr. Moss Evans, the man handling the Ford claim who next year succeeds Jack Jones as General Secretary of the TGWU, agrees that unions do not make enough use of financial information in presenting wage demands. He is a strong advocate of a more "scientific" approach to collective bargaining and if he has his way there will be many more cases like this.

He says that the TGWU plans to obtain all information about multinationals like Ford which is obtainable overseas, and the union already uses the services of the Eurofinance research service in Paris.

As for those who say this means the union is just accepting capitalism, Mr. Evans answers "They're absolutely right."

Copies of the 1977 Ford claim will shortly be available in pamphlet form for a small charge. Applications to: Mr. Stephen Bubb, Research Department, TGWU, Transport House, Smith Square, London, S.W.1.

Copies of the brokers' report may be obtained direct free from: Martin Gibbs, Phillips and Drew, Lee House, London Wall, London, E.C.2.

...GEMENT GAME

BY MICHAEL DIXON

...k Xerox going for a double victory

...from Rank Xerox ...e final of the £1,000 ...anagement champion- ...ndon to-day with the ...becoming the first to ...le twice in succession. ...Mr. John Chappell and ...Webb whose "Rank ...team last year tri- ...over 946 initial en- ...the computer-based ...onsored annually by ...ial Times, ICL and ...te of Chartered Ac- ...in England and ...association with the ...ion of British Indus- ...e Institute of Direc-

...r, the Rank pair's ...to-day will once ...de Dr. John Cranston ...y Ammunition subsidiary of Imperial Metal Industries who, with his new colleagues, Messrs. Allan Mason, Malcolm Amos, Dave Cox and Jim Curtis, will be trying to improve on his last year's performance. Then the IMI team achieved only last place among the four finalists, behind Rank Xerox, Gulf Oil, and Conoco.

Hourly sets

The other two finalists who will spend most of the day making hourly sets of managerial decisions for their "paper" consumer-durable manufacturing companies, are both from the same group.

Unilever is represented by Messrs. Alan Evans, Graham Carrington, Kenneth Gornall, Roger Harris and Graham Ward.

The Unilever subsidiary of T. Wall and Sons (ice cream) is represented by Messrs. Brian Richards, Derek Ryan, Paul Valler and Richard Arbon.

Experience of meetings between sides from associated companies in the seven previous National Management Games has never shown any collusion between them. In this instance, the Unilever team will be as keen to lick the subsidiary as the Walls side is to whitewash the parent.

So for the second successive year, also all the sides whose decisions—on what prices to set in the various markets, and on how to allocate money between running and expanding their factories, marketing, distribution, research and development and so on—have carried them into the £1,000 championship round of the game, are teams from large-scale business.

But this was only just the case. The Rank players' victory in the semi-final was narrow enough for a small lapse of concentration on their part to have let through a single-handed private entry—Mr. Nick Smith, who works for British Gas. Yet even if Mr. Smith had come through instead of last year's champions, to-day's final would still have been almost equally "in the family." Together with his wife and brother and sister-in-law, Mr. Smith came second in the championship in 1975.

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Telephone: 01-248 8000

Tuesday July 26 1977

Orderly trade in textiles

NEGOTIATORS in Geneva have failed to reach complete agreement on a new framework for world trade in textiles after the current multifibre arrangements (the MFA) expire at the end of the year. But enough has been salvaged from the talks to sustain at least reasonable hopes that a free for all of unilateral protective measures can be avoided in such a sensitive area for both industrialised and developing countries. As was widely acknowledged in Geneva yesterday, failure to maintain order in world textiles markets could have wide-reaching repercussions across the whole spectrum of international trade. Mr. Oliver Long the GATT Director-General, warned that collapse of the MFA "could signal the beginning of disintegration of international trade," a sentiment reflected, though more cautiously, in statements by the U.S. delegation.

Protocol

Much now depends on the success of negotiations between major importers and exporters to renew the bilateral agreements reached under the current MFA that are on the point of expiring. Those countries that are satisfied with the outcome can then be expected to subscribe to the protocol renewing the MFA for four years that the U.S. has asked Mr. Long to make available for signature in Geneva from mid-December. Mr. Michael Smith, the Chief U.S. negotiator, claims that countries accounting for about 85 per cent. of international textile trade have supported the American initiative. Washington's hope is clearly that once a sufficient number of countries have accepted the new arrangements, those currently reluctant to do so will follow suit. After all, new members have been joining the current agreement throughout the three-and-a-half years it has been in operation.

There is considerable disagreement, however, over what the U.S. proposal really implies. The Americans maintain that it involves no departure from the terms of the current MFA, which they have always wanted to renew in the same form. The EEC, on the other hand, obviously believes that it allows importers to act much more restrictively. If it did not do so, the EEC would hardly have accepted it so readily, as the Community has constantly made it clear that it will only agree to a new deal on condition that it provides for increased protection. Even so, the formula is not strong enough for the French, who protested in Geneva that it does not represent the complete renegotiation of the MFA that they have been seeking.

Nevertheless, countries like India and Brazil regard the U.S.-sponsored compromise as a major step in the direction of greater protectionism. They point out that the key phrase, providing for "jointly agreed, reasonable departures from particular elements (of the MFA) in particular cases" does not figure anywhere in the current arrangement, and they challenge the right of the U.S. to take such a proposal to the GATT Director General over the head of the Textiles Committee. They are clearly convinced that a renewal of the existing arrangements, setting a basic annual export growth rate of 6 per cent., or more under bilateral agreements, gives them a better chance of increasing their penetration of Western markets.

Uncertainty

All this means that uncertainty is likely to continue for several more months while new bilateral agreements are negotiated. The U.S. has 11 coming up for renewal, the Community 22. The problem is to find solutions that take into account both the dependence of developing countries on textile exports and the very real problems that are occurring in the importing countries, particularly in Western Europe. It is in the interest of both sides that such solutions be found. If they are not, developing countries' exports will almost certainly be hit by unilateral protectionist measures which will at the same time delay the necessary industrial restructuring in the importing countries. That restructuring cannot take place overnight. If major sectors of the textiles, or any other industry are to be transferred to developing countries, it must be done in an orderly fashion.

Management and education

LAST WEEK'S Green Paper on school education had a good deal to say in passing about the need for children to acquire a much better idea of the way in which commerce and industry function and to be given much greater help and advice in training for a particular job. Yesterday's paper from the Department of Industry about education and industrial management discusses the links between higher education and the management of manufacturing industry with the same general aim in mind and is signed by the Secretaries of State for both Industry and Education.

This collaboration may eventually turn out to be fruitful. But if last week's Green Paper lacked punch, yesterday's discussion paper seems almost designed to stifle any discussion by sending the potential participants to sleep. The standard generalisations about the reasons for this country's relatively poor economic performance are set down and possible methods of raising it through improvements in the quality and status of industrial managers are then put forward for debate.

Poor 'Image'

The main obstacles to be overcome, the introduction suggests, are the poor "image" of industry, its recruitment policies, the academic bias of much of the educational system, and the relative lack of incentives to accept the risks of an industrial career. The poor image consists in a number of different emotional attitudes towards industry among the young, in which it comes out badly compared with other possible careers: "rewards in industry," it is said, "do not compensate sufficiently for the risks and pressures involved." The authors of the discussion paper seem at least partly in agreement. We need our best young people to meet the industrial challenge, they say, and those who tackle the most difficult and important jobs ought to receive the most esteem.

The sections on recruitment policies and the academic bias of the institutions contain much received wisdom, which may contain some truth. The most interesting strand of thought is that industry should exert more pressure on educational institutions to shape their courses to its needs and will be in a better position to do so now that the supply of public finance for higher education is expected to grow less rapidly. It makes the point that graduates can no longer expect to be treated as an elite simply because of their qualifications, but it is only in the chapter on incentives and differentials that it makes the opposite point, which is the heart of the matter.

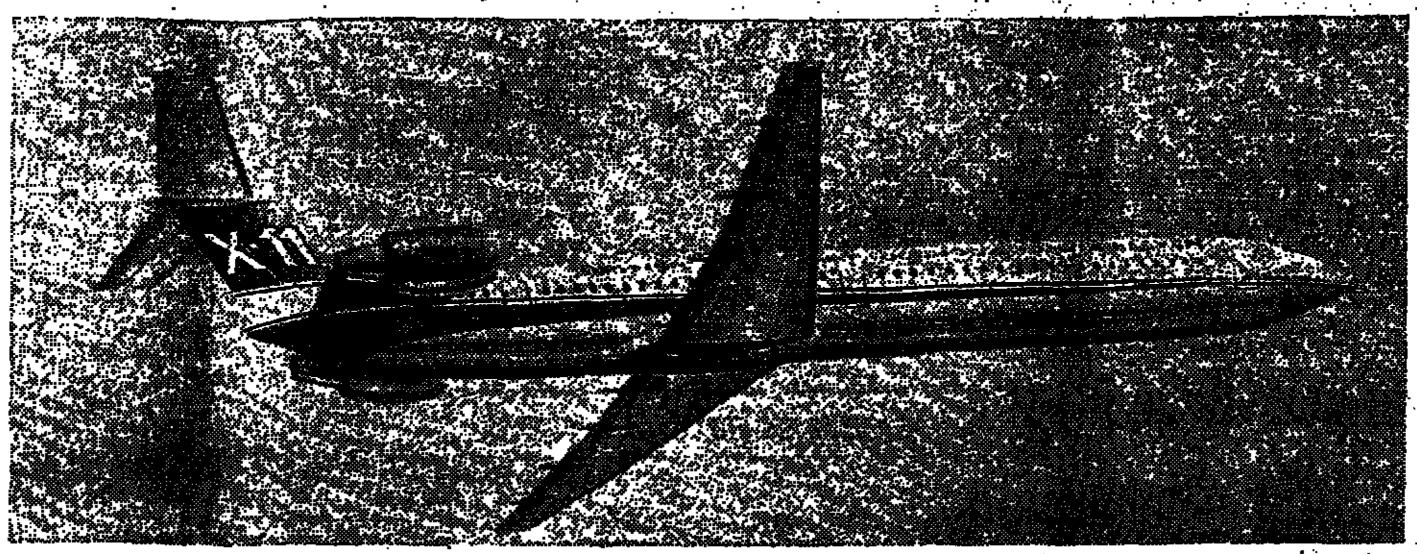
Two-Handed

Here the authors openly acknowledge the relative disadvantages of a career in industry, the strong feelings of managers about their level of net remuneration, and the generally unfavourable position of senior U.K. managers compared with their European counterparts. But they duck the conclusion implicit in their admission that much public sector pay is set by some kind of comparison with the higher-risk private sector and conclude that "on the one hand, there is no doubt about the strength of feeling among industrial managers as to the seriousness of the position and its implications; on the other hand, any substantial improvement would require the reversal of a trend which had been accepted, at least implicitly, by the community as a whole." If this trend is to be reversed, there is no doubt that the lead will have to be taken by Ministers. And it can be done: Mr. Varley and Mrs. Williams acknowledge in this paper, for example, that "British society" seems to have been particularly reluctant to accept the importance of profits!

The race for the airliner of the Nineties

BY MICHAEL DONNE, Aerospace Correspondent

A MAJOR effort is now being made by the European airliner builders to draw closer together, so as to meet a prospective onslaught on world markets over the next few years from the big American manufacturers. A series of negotiations now in progress between the major companies, including British Aerospace, Aérospatiale of France, and Messerschmitt-Bolkow-Blohm and VFW-Fokker of West Germany, aimed at evolving a suitable joint design, could prove to be crucial to the long-term future of the European civil aircraft industry.



An artist's impression of BAC's new proposal for the X-Eleven, a 130/160-seat twin-jet airliner.

The reason for this lies in the size of the markets waiting to be won in the period up to 1990—estimated to be worth not less than £40bn. for several thousands of airliners of all kinds, to meet not only the continued expansion of world air travel, but also to replace existing fleets that will be ageing rapidly by the 1980s, as well as meeting the airlines' needs for quieter and more fuel-efficient jets.

Every major aircraft builder in the world wants a share of this market. But the Europeans are specially interested in one segment of it—that for a short-to-medium range airliner, capable of flying up to about 2,000 nautical miles carrying about 160 passengers. This market alone is expected to amount to not less than 1,200 aircraft by 1990, worth some £8bn. Beyond that, a requirement is also emerging for a larger design, also for short-to-medium ranges, but carrying 200 or more passengers, where again the requirement could run to many hundreds of aircraft.

Every manufacturer is holding talks with someone else on the possibilities of collaboration to meet these needs, as a means of spreading the costs and widening the market for any given design. The Americans are just as interested in collaboration as the Europeans, but while the U.S. companies could probably get by without it, on the basis of their already substantial foothold in world markets, for the Europeans such collaboration is essential. No individual European company, or country, would stand much chance of financial success if it decided to go ahead alone.

The Europeans' problem, however, is that while their governments and the companies on both sides of the Channel acknowledge the need for collaboration on a big short-to-medium-range jet programme, and believe it to be essential, it is proving elusive so far. The two main industries, in Britain and France, are offering rival designs which will somehow have to be merged into one if any major collaborative venture is to evolve at all. The problems arise from the marked independence of the two industries, neither of which is really anxious to give too much away to the other on a venture of such importance to the long-term future of civil aircraft manufacture in Western Europe.

The issue really goes even deeper than that. It is not so much a question of settling one design for the 1980s and beyond, as determining who will be the principal force in civil aircraft manufacture on this side of the Atlantic for a much longer period ahead. Apart from such delicate issues as project leadership on whichever programme is ultimately agreed, the designs currently being offered, although aimed at the same broad market, have some fundamental differences which may prove difficult to reconcile.

The British, for example, are offering their new X-Eleven design, while the French are offering the Aérospatiale A-200. Although not themselves submitting designs, the West German, Dutch and Italian aerospace industries are also involved, since the long-term aim would be to bring them into any programme to build a new short-to-medium European jet.

The immediate competitors to these European ideas in the U.S. are the Boeing 7N7 plan for a short-to-medium haul jet which is rather larger, at about 180 passengers, and the McDonnell Douglas Dash 55 version of the DC-9. Also in the offing are additional larger 200-plus seater designs, in the shape of the Boeing 7X7, the Douglas DC-X-200, and various derivatives of the Lockheed TriStar.

Technical case

The X-Eleven has its two Franco-U.S. CFM-56 engines mounted at the rear of the fuselage, while the A-200 has two of the same engines mounted under the wings. While a good technical case can be made for each design, clearly in any combined venture one concept would have to give way to the other.

The U.K., moreover, argues that its X-Eleven is a "derivative," in that it is based on the original successful One-Eleven airliner, and would therefore be cheaper to build, at about £150m., than the A-200. The latter is a "new" design in that it is not based on any previous Aérospatiale project of the same broad type, although it is acknowledged that the French company has vast experience in transport aircraft design and manufacture through the original Caravelle, the Concorde and now its share of the European Airbus. Both the X-Eleven and A-200 fall into the same broad seating configuration, with the X-Eleven offered with between 128 and 179, with the datum being the Series 200 model with 154 seats, while the A-200 is based on about 160 seats and would also be available in two versions.

To encourage collaboration, the U.K. is offering the French 23 per cent. of the airframe work on the X-Eleven, in addition to providing the engines, while 27 per cent. of the work would go to West Germany. The remaining 50 per cent. would largely remain in the U.K., including final assembly, with some work perhaps going to Holland and Italy.

The French, however, are believed to feel that some final assembly on such a major aircraft venture ought also to be done at Toulouse, which is just as short of new work as the U.K. centres at Filton, Hatfield, Weybridge and Hurn. The problem might well be overcome by agreeing to have two assembly lines for the final aircraft, whatever shape it may take, in the same way as was agreed with Concorde — although this would depend on achieving a big enough market to justify the additional costs involved.

As it stands, British Aerospace, after talking to more than 100 airlines, believes that the X-Eleven could break-even at around 300 aircraft, and that eventual sales could be over 400 out of the world total market of 1,200 for this type of jet.

The U.K. team in the negotiations is also pointing out that the French plans for the future also envisage development of a 200-seat version of the A-300 European Airbus, the so-called B-10X, and that in order to participate in this, the U.K. is being urged to rejoin Airbus Industrie on a formal Government basis, instead of merely retaining its present private-venture role on building Airbus wings for the present A-300.

The U.K.'s response to this has been cautious so far, its decision eventually depending chiefly upon the costs involved. But it seems clear that there is scope for considerable bargaining. The U.K., for example, is unlikely to give up leadership on its X-Eleven in favour of the French, as well as go back into the Airbus programme as a junior partner on a venture where the French are already dominant.

Substantial work

Against this, the French can point to the continued British interest in a possible future link with Boeing of the U.S., building (and also subs[illegible] financing) the wings [illegible] 7N7 programme. This [illegible] partnership is very much a live issue, and a team from British Aerospace has recently been in Seattle discussing details with Boeing. Such a link, if it materialised, would provide substantial work for the U.K. industry for many years ahead. It would have a considerable impact on the X-Eleven/A-200 situation, because of the competitive nature of the 7N7, and it might also have a profound effect upon any U.K. involvement with the proposed 200-seat Airbus derivative.

The ramifications of the situation are complex, to say the least. Even senior personnel in the U.K. and Continental industries admit that it is one of the most difficult situations they have ever been obliged to unravel—but unravel it they must, if Europe is not to be left behind in the short-to-medium range field of the future.

To add to the problems, time is not on the Europeans' side. The current discussions really only began at the recent Paris Air Show, where Lord Beswick, chairman of British Aerospace, met his counterparts from the European aerospace industry, and where M. Barre, the French Premier, made it clear that he was anxious to see a collaborative venture emerging in the not too distant future. There have been many further discussions in recent weeks, and it is hoped that these will soon reach the point—perhaps by the end of this month or some time in August—when a report on the feasibility of a combined design can be sent to the Boards of the European companies involved, who will still have to decide on any joint programme, and then get their Governments' approval for it.

Against this, the American manufacturers are much further ahead. The Europeans have yet to define and agree upon a specific design which all can share in developing. Boeing in the U.S., however, is well into detailed design work on its 7N7, and is hoping to clinch some initial airline orders around the end of this year or early in 1978, while McDonnell Douglas is still talking of a start-up on the Dash 55 DC-9 some time later this summer. Even if both makers' ideas on timing slip a little, they are still in a sufficiently strong position to cause the Europeans problems if the latter cannot settle on their own programme soon. Some of the major U.S. airlines are moving out of their financial doldrums and are beginning to show greater interest in what new types of jet they will have to buy in the 1980s to see them through to the end of this century.

In this situation, it seems that British Aerospace itself has several major questions to answer. One is just how far does it go in agreeing to any compromise on the X-Eleven/A-200 design combination for the future? The second is whether it is possible, or even desirable, for it to clinch any deal with Boeing on 7N7 wings, while still seeking a collaborative pact with Europe on a competitive project? The third is whether the U even consider going ahe the X-Eleven on its own current discussions for pean consortium collaps fourth question is whet U.K. should go back ir bus Industrie on a form ernment basis, working B-10X or other derivat the A-300 Airbus, either without a parallel invo on the smaller X-Eleve venture?

Finding the answers questions is currently oc much of the attention of executives of British Ae at the same time as th to weld together the f companies in the U.K. (BAC, Hawker Siddele tion, Hawker Siddeley D and Scottish Aviation over on nationalisati spring. From an industr point, some answers are because the run-down ing civil work is g momentum, and it may possible to avoid some lay-offs later this year work is not fed into t ories some time over t few months.

There are some in t industry who believe the current X-Eleven/A cussions, Europe faces its last chance to est major competitive civ space manufacturing with which to compete U.S. in the short-to- range field for the res century. This may be g far, but it is true that to agree on a Europe gramme now would be losing to the American stantial share of the t kets that lie ahead.

Over the past two yea there have been many sions in Europe—both European companies selves and between Eu the U.S., all aimed at some collaborative f for the future. These cluded discussions Dassault-Breguet of Fr McDonnell Douglas of on the projected A Short-to-Medium Range (ASMR-II), and betwe spatiale and Airbus Ind France and Boeing of as well as frequent between the French, W man and U.K. compan variety of other desig So far, none has bor While it would be goin to suggest that the t been completely wast fact remains that the A have been driving ahe starting from a bigge firmly established po among the world's airli has given them an a which will be difficult to beat even with a f European design, w gineered and well mar the right time and pri Europeans' first target to establish that design to make up the lost le fast as they can.

MEN AND MATTERS

Turn again, Turnbull

"If I learned anything in Korea it is that if a small number of people are sufficiently dedicated they can really surprise themselves as to what can be achieved." This is George Turnbull, erstwhile managing director of British Leyland, commenting on the future for his old company. He believes, he says, that the situation at Leyland is "retrievable." But for the next two years at least he will not be there helping to retrieve it. He is off to Iran to add another substantial sum to the one he has earned over the last three years erecting a new motor industry in South Korea.

This second lucrative international posting is not bad going for the man who lost the power struggle to succeed Lord Stokes in British Leyland. Leaving well before the oil crisis struck the company, Turnbull was off the scene when Lord Ryder sent his celebrated team of 60 experts scurrying through the company to emerge with a brief to oust the new managing director, John Barber at the end of it. At that time he was collecting a reputed £50,000 a year virtually tax free in South Korea, and revelling in the independence he was given to get the local car industry on the road.

Turnbull has returned to Europe with a reputation polished by absence. Even his problems are happy ones—how to avoid the worst effects of the U.K. tax system on the money he earned in Korea. From the start, this has made it unlikely that he would return to the affairs of British Leyland or the National Enterprise Board. Despite the rumours, he can spend only 30 days in Britain in this tax year if he wants to keep his money intact.

Like Don Revic, also heading for the Middle East, Turnbull does not like the U.K. tax regulations. "I personally believe that no-one should be taxed more than 50 per cent. of their earned income. I am a firm believer in incentives. No-one does anything without incentives," he says. Even so, he has made it clear that he wants to return to the U.K. once his two years with the Iran National company is up. That should be a happy homecoming for the Inland Revenue, because although Turnbull would not disclose his Iranian salary, he says he is going to have to pay substantial taxes. "I think you can assume it will be quite generous," he says.

"It looks as if we're going to have to find a substitute!"

Ship money

Ship loans tend to be the average banker's worst friend—rivalled by property loans and those to some of the less developed countries (LDC's). Apart from the fact that the outstanding debt on shipping is estimated by the trade to be around $38bn., of which at least $5bn. and possibly twice that is unsecured debt, shipping is full of either flashy or highly secretive tycoons. They are men whose drive, unorthodoxy and frequently opulent life style is anathema to bankers who, in general, much prefer to deal with nice safe institutions than the private individuals who thrive in shipping—one of the most competitive private enterprise businesses in the modern world.

Paradoxically, however, because of its very nature as a speculative, highly individualistic industry, made even more fragmented by the one ship company and flag of convenience policies of many ship owners, it is an industry highly dependent on relatively short term bank finance.

All of which makes life difficult in times like the present when shipbuilding and, though more selectively, ship owning are disaster areas needing huge amounts of capital either to finance laid up shipping or to rapidly change the composition of fleets so as to take prompt advantage of changing market trends.

It is, however, a situation which, potentially, leaves considerable room for people who make it their business to specialise in this mine-strewn industry which, troubled as it is, still provides the basic, indispensable means of international trade.

That at least is the thinking behind the creation of a specialised shipping finance house called Oceanic Finance Corporation recently set up in London by 33-year-old Paul Slater.

Slater first cut his teeth in shipping with P and O before joining Brandts. Following the merger with Grindlays, he built the group's shipping unit into one of the largest in the City, looking after a $500m. shipping portfolio. At this point he received one of those classic offers which cannot-be-refused from a Canadian-based Hungarian gentleman, who is publicity shy and whose name I am sworn not to reveal, but who heads Fednav, Canada's largest specialised fleet of roll-on-roll-off and ice-classed St. Lawrence Seaway and Arctic ships.

Fednav is one of three shareholders, the others being the Power Corp. of Canada and Genstar, who have put a total of $10m. into Oceanic with another $15m. to come next year.

Slater is on a three-year contract to develop Oceanic's exclusively shipping orientated finance operations with the objective of turning it into a specialised shipping merchant bank by the end of this period.

Another "Yank" bank

One of the lesser known inhabitants of the British embassy in Washington is a branch of Riggs National Bank of Washington DC. It is an entrée which allows Riggs to claim to be the only U.S. bank with a branch on foreign soil in the U.S.

It has however been a lot slower than most other U.S. banks in getting itself fully established in Europe, an omission which it is making good by opening its first European office in the City to-day.

The bank's head office is just across the street from the U.S. Treasury and the White House, a proximity which made it convenient for an early, and one of the least well known American Presidents, John Tyler, to open an account there.

The man in charge of the new office is Peter Knowles, an Englishman with an American wife who has been with Riggs for 16 years dealing with international operations, and who set up their first overseas branch in Nassau, Bahamas, in 1972.

Observer

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FINANCIAL TIMES SURVEY

Tuesday July 26 1977

Japan and Europe

Now that contacts between Japan and Europe are closer than at any time in the recent past, friction between them appears to be increasing. The trade imbalance (in Japan's favour) is a growing source of concern and points up the need for relationships to be broadened beyond those of trade alone.

...rles Smith
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which seemed, initially, to think that it was more important to find ways of slowing down Japanese penetration into their markets than to speed up European exports to Japan.

On the eve of the oil crisis there was a brief period when it looked as if things might be going to work out well for both sides. Japan made vigorous efforts to stimulate its imports during 1973 and the EEC (including Britain) responded with a push which resulted in a 65 per cent. growth during one year of European sales to Japan.

Shrunk

What has happened since 1973 has been distinctly less reassuring. Europe's exports have shrunk (in terms of their percentage share of total Japanese imports) to the point where the EEC is now a less important supplier to the Japanese market than Saudia Arabia. Japan, meanwhile, has kept up its pressure on the markets of Europe, with the emphasis on a handful of sectors where Japanese industry enjoys its strongest competitive edge (cars, steel, shipbuilding and ball bearings, among others). The visible gap in Japan/EEC trade which was $300m. in 1970, had grown to $2bn. by 1974 and slightly exceeded $4bn. last year (according to EEC figures). For the first six months of 1977 figures just published by Japan indicate that the surplus is running at an annual rate of well over $4bn.

The question which faces ... of both sides is whether, or not, there really is a "crisis" in EEC-Japan relations. Japan has pointed out, correctly enough, that the EEC has larger deficits with other trading partners than it has with Japan (for example, with the U.S.) and that the balance on visible trade is not the only thing which matters in any case. The balance on invisibles happens to be strongly in Europe's favour and could, according to Japanese calculations which are not necessarily accepted by Europe, have been running as high as $2bn. a year in the recent past.

The EEC reply to all this is that the actual level of the visible trade gap between Japan and Europe may indeed not be be a matter of prime importance. What does matter is the fact that the gap is large in relation to the overall level of trade (EEC exports to Japan were equivalent to 43 per cent. of imports from Japan in the first half of 1976, whereas the ratio for trade with the U.S. was 63 per cent). Still more important is the fact that Japan has been making what might be described as "unrequited" exports of the products which matter most to European industry. Japan exported 498,000 cars to Europe in 1976 but imported only 25,000 European cars in return. The balance on steel trade in 1976 was 1.7m. tons in one direction and virtually nothing in the other. In shipbuilding Japan supplied over 50 per cent. of world exports in 1976, while the collective share of the 12 member countries of the Association of West European Shipbuilders (AWES) was 18 per cent

In each of these cases Japan can claim to have done better than Europe because its industries are more competitive. The cost of making a ton of steel in one of Japan's ultra-modern and technologically advanced steel plants is well below that of making steel in the older and less productive plants of the EEC. The same is true in the motor industry, where the output per man achieved by the top two Japanese motor manufacturers is probably about five times that at British Leyland, and the contrasts are still more striking in shipbuilding.

However, competitivity, as Europe sees it, is not the sole yardstick by which to judge the present state of Europe-Japan trade relations. There is the question of whether European exporters — even in the areas where they can claim to be strong—are being allowed full and free access to the Japanese market. There are questions about the implications for world trade of the massive investment undertaken by Japanese shipbuilders and steelmakers on the eve of the oil crisis, which would seem to have given the industries concerned an embarrassing excess of capacity in relation to their own market and to their "traditional" overseas markets.

Political

Finally there is the question of how far political considerations should or should not be allowed to affect decisions on trade issues. Europeans are inclined to argue that Japanese imports are partially (though perhaps only very partially) to blame for the high levels of unemployment which now exist in some of the EEC's traditional industries and which could spill over into political instability. It can be and is being urged that Japan should accept responsibility for causing these kinds of problems and should act accordingly.

The attempts that Japan and Europe have so far made to achieve a meeting of minds on these questions have not seemed to be notably successful. Regular "high-level" meetings between Japanese and EEC bureaucrats, which began in 1973, have produced the occasional compromise or concession on detailed problems affecting individual industries, but have not seemed to tackle any very fundamental issues. When the EEC raised the stakes last autumn by placing the Japan trade problem on the agenda of a meeting of the European Concil, Japan reacted initially by getting into one of its characteristic states of "shock."

EEC problems dominated the Tokyo headlines for some weeks and Japanese bureaucrats worked hard, and as it proved successfully, to come up with a list of measures which would enable the EEC leaders to convince themselves that progress had been made in "solving" the trade problem. The measures included liberalisation of Japanese inspection procedures relating to certain European imports and guarantees that Japan would exercise restraint in some exports to Europe, including car sales to Britain.

In retrospect, however, the Japan-Europe crisis of late 1976 appears to have ended in a stand-off rather than with a solution. Its results, if it had any lasting ones at all, would seem to have been to help each side get the measure of the other in any future confrontation. The Japanese, in particular, have apparently grasped the point that the EEC is not necessarily a monolithic or united organisation, however resolute its bureaucrats may sound when tackling specific trade issues.

Crisis

There is a strong possibility that relations between Japan and Europe will enter another crisis this autumn as the full extent of this year's EEC-Japan trade gap becomes apparent and as Europe begins to feel the impact of seasonal increases in unemployment. If such a crisis does occur it could be different in one important respect from what happened at the end of 1976. It is very likely this year, that the Japanese will find themselves under pressure to "do something" about their exports not only to the EEC but also to the U.S., which is sounding markedly less relaxed this year about its own Japanese imbalance than it was during most of 1976.

The prospect of Japan having to face the Europeans and the Americans simultaneously in a replay of last autumn's EEC-Japan trade confrontation is one which should be quite alarming, not just for the Japanese, but for all concerned. It will be harder for Japan to make concessions to Europe involving any kind of export restraint if the U.S. is demanding similar restraints or is on the look-out for suspected diversion of Japanese exports to its own markets from those of the EEC.

The easiest way to avoid such a situation—with its risks of a general slide into "trade war"—would be for the economies of all concerned to grow rapidly over the next three months, producing enough demand for Japanese industry to sell at home or abroad without creating tensions. Unfortunately it does not look at all likely that anything like this will happen.

Japan will probably fail to achieve its official target of a 6.7 per cent. growth rate for this fiscal year even if the Government goes ahead with plans for a big supplementary budget in the autumn (which carries its own risk of causing another bout of inflation). If growth continues below par and Japanese industry has to go on exporting in order to survive, Japan's trade surplus for the fiscal year may easily hit a record level of $11bn. or $12bn., as compared with the $7.3bn. forecast originally offered by the Government.

One of the few things Japan can do to pacify its trade partners in the U.S. and Europe in this situation is to allow the yen to float up freely on the Tokyo foreign exchange market, thereby taking some of the edge off its own export competitivity and, it is hoped, making manufactured products from other countries rather more competitive in Japan. The yen has, in fact, already appreciated by almost 10 per cent. against the dollar since the start of 1977. It might conceivably go up another few points during the rest of the year if the Government can bring itself to remain on the sidelines.

But yen revaluation alone is not likely, either in the short run or the longer run, to produce a harmonious relationship between Japan and the rest of the developed world. What is needed for this is the realisation that bilateral trade is far from being an adequate basis for such relations. If Japan is to maintain and extend its position in the world it must realise that politics matters as well as trade and that politics in Europe depend to a great extent on whether or not there is enough work to keep Europeans employed. For Europe the message is even simpler—it has ignored Japan for too long both as a market and as a potential force in the world at large.

CONTENTS

JAPAN AND EUROPE II

Trade structure causes problems

JAPAN AND Western Europe are both prime examples of what some economists have christened "raw material transforming workshops"—in other words they make their living by importing raw materials, turning them into manufactured goods and then selling their goods on world markets. The difference between the Japanese "model" and the European "model" of a raw materials transforming workshop lies in the extent to which the Japanese do just this and virtually nothing else.

Japan exports huge quantities of manufactured goods of unrivalled quality and at very reasonable prices to anyone who will buy them, but itself buys only very modest quantities of manufactured goods from the outside world. European countries while importing and processing raw materials and exporting manufactures, also engage in a large amount of "horizontal trade" in manufactured goods with each other *and with other* developed countries.

Manufactured goods account for 55 per cent. of total British imports and 57 per cent. of French and German imports (or *for about 38 per cent. of the* imports of each of the three, if intra-EEC trade is excluded). Japan's imports of manufactured goods (both capital and consumer) account for just over 20 per cent. of its total imports—although, as the Japanese are quick to point out, the ratio was about 30 per cent. before the 1973 oil crisis drastically raised the cost of Japan's crude oil imports.

Sophisticated

The vertical nature of Japan's trade—which goes hand in hand with the awe-inspiring self-sufficiency of Japanese industry—raises no particular problems in trade between Japan and, say, Latin America or the Middle East since these areas are primarily raw material exporters in any case and are therefore reasonably content to take Japanese manufactured goods in return for primary products. *Even between Japan and the* U.S. there is nothing particularly surprising about a bilateral trade relationship which consists chiefly of Japan exporting manufactured goods and buying raw materials in return. (Roughly 60 per cent. of Japan's imports from the U.S. consist of food and primary products, while the bulk of the remainder are sophisticated industrial products such as aircraft or defence equipment.)

When it comes to trade between Japan and Europe, however, problems do arise. *Europe, by its very nature as a* processor of raw materials and exporter of manufactured goods, expects to sell manufactured goods rather than primary products in Japan but finds itself able to do so only to a very limited extent.

Meanwhile Japan expects to be able to sell manufactured goods in Europe and actually does so with a vengeance. Because Europe buys manufactured goods in quantity from Japan and because it is not able even to ship soyabeans or grains in return to keep trade roughly in balance (as the U.S. has attempted to do) European politicians have made an issue out of the fact that Japan maintains an "inadequate ratio" of manufactured goods imports in its total imports.

The process by which Japan and Europe have arrived at their present unbalanced trading relationship is worth tracing in detail because it helps to explain the degree of current European agitation about the Japan trade problem. In 1960 (when Japan's total exports were worth less than one-thirtieth of their value last year) Europe received a fairly modest 11 per cent. of the total, with the overwhelming bulk of the remainder (30 per cent. and 32 per cent. respectively) going to North America and South-East Asia. By 1973 Western Europe was taking 17 per cent of Japan's total exports—which had increased over the 13-year period since 1960 by a factor of approximately 23.

Western Europe's share in Japan's total imports also rose between 1960 and 1973 from a little under 9 per cent. to just over 10.5 per cent. But from 1973 onwards, as Japan stepped up its expenditure on crude oil following the quadrupling of prices by OPEC imports from Europe fell back steady (as a *percentage of Japan's total imports*) while Japan's exports to Europe held their own with formidable success.

Japanese exports to Western Europe shrank by a modest 6 per cent. in 1975 (a year when world trade, except to and from oil producing countries, was in a general state of contraction) but picked up by a startling 34 per cent. in 1976. Meanwhile, Europe's exports to Japan fell 16 per cent. in 1975 and recovered by only 6 per cent. in the following year — in other words, to somewhat less than their 1974 levels.

In terms of market share what happened between 1973 and 1976 was that the EEC's share of Japan's import market shrank to less than the share of a single Middle East oil producer—Saudi Arabia. The EEC was also, incidentally, receiving a smaller portion of Japan's total exports in 1976 than it had done in the last year before the oil crisis, but the ratio had not fallen by much. In terms of actual dollars earned in each other's markets Japan ran a surplus of over $4bn. with the EEC in 1976 compared with a surplus of $300,000 in 1970.

From 1974 until the early part of 1976 most people in Japan who gave any thought to the matter appeared to be assuming that Japan's surplus *with Western Europe would* continue to grow larger into the indefinite future. A projection published by the Japan Economic Research Centre early in 1975 using data supplied by the Ministry of Finance put the surplus with Western Europe (not the EEC alone) at $17bn. in 1985, or almost enough to pay for Japan's deficit with Middle East oil producers in the same year. In 1976 the JERC published another considerably more modest forecast, estimating a $9.6bn. surplus with Western Europe (including EFTA countries and non members of both EFTA and EEC) by 1985.

Both forecasts apparently failed to take account of the fact that, by the beginning of 1976, the trade imbalance with Europe was becoming a political issue—not just a matter of how much each side was likely to be able to sell in the others' market. No Japanese source has come up with a revised estimate of the surplus with Europe since the EEC took up the issue on a political level in the autumn of 1976. But the Japanese *do make certain points about* probable future developments, some of them reassuring, some rather less so.

Japan's basic position on the controversial question of whether or not it ought to import more manufactured goods is that it cannot hope to match European levels of imports because of its poverty in raw materials. Japan imports 99 per cent. of its crude oil, nearly all of the coking coal and iron ore needed to feed what is now the world's third-largest steel industry and a larger per*centage of its food than any* Western European country. This means, say the Japanese, that the amount of money left over to buy manufactured goods will always be relatively smaller than in Western Europe.

The fact that Japan is a geographically isolated country, not surrounded, like European nations, by other highly-de*veloped nations,* is cited as another reason why Japan does not engage in "horizontal" trade to the same extent as Britain, France or West Germany. But the Japanese do concede that such trade will grow to some extent in future—perhaps reaching the point where manufactured goods again account for around 30 per cent. of total imports by the early 1980s. The move to a higher manufactured goods import ratio depends, however, on there being no repetition of the 1973 oil crisis during the next five years. If there were another oil crisis with a sharp increase in the price of crude oil Japan's oil import bill would be forced up once again and the amount left over to spend on manufactured goods would be correspondingly reduced.

Hopes

What happens to the structure of Japan's imports between now and the early 1980s also depends on the extent to which Japan's own industrial structure is transformed over the next five years. The Ministry of International Trade and Industry, which is in charge of long range plans for developing "sophisticated" industries in Japan and phasing out more primitive industries such as textiles, hopes that by the mid-1980s Japan will have as much of its industry in the high added value, *knowledge intensive* sectors as West Germany does to-day.

The high-added value industries (such as computers, aircraft, and various types of services) will require a smaller raw material input to achieve a given amount of value (or a given amount of export revenue). This in turn means *that there should be more* money left over to spend on imported manufactures after the basic raw material needs of industry have been satisfied.

A question about the future structure of Japan's imports which is not often considered but which could turn out to matter quite a lot to Europe is: where will it buy more manu*factured goods from,* if and when it does so? The answer, according to some Japanese analysts, could turn out to be from neighbouring countries in Asia such as Korea, Taiwan or *the ASEAN (Association of* South East Asia) member countries rather than from traditional industrial nations.

Japan is already *being* pressed to import textiles from Korea and simple consumer electronics from Korea and

RATIO OF MANUFACTURED GOODS IN JAPAN'S TOTAL IMPORTS; per cent.

1967	26.8
1968	27.5
1969	29.5
1970	30.3
1971	28.6
1972	29.6
1973	30.6
1974	20.0
1975	20.3
1976*	21.5

* *First ten months.*

BASIC STATISTIC

Area	143,818 sq.
Population	
GNP	Y164,5
Per capita	Y
Trade (1976)	
Imports	Y19,1
Exports	Y19,8
Imports from U.K.	£
Exports to U.K.	£
Currency: Yen	£1 =

Taiwan. It could in futu more bulky and expensi ducts from these so conceivably even steel motor or shipbuilding tries. Another almost ine *source of future Japane* ports of manufactured g likely to be countries themselves buy Japanese trial plant. Plant pur frequently demand acc the *market* of the s country for the product newly-established plant a condition for ordering th in the first place.

If Japan's future imp manufactured goods lo coming from the rest of much as or more tha Western Europe, should peans give up all hope penetrating the Ja market and conclude tha is nothing to be done exc up barriers against Ja imports? The answer is three reasons. First, on *of principle, there* has been any reason why a balance *should* exist b Japan and Europe—the might be better for a cerned if the imbalanc *less than at present.* although Japan's "abso of industrial imports remain below European there are nevertheless p which should and in th run probably can be sol Japanese market if Eu exporters persevere. putting up barriers woul a trade war, conducted in third markets, and wo out any possibility for co tion by Japan and Eu the development of markets.

The Japanese attitude *import structure problem* while, could also possibl fit from some change problem clearly needs to garded as such, and not a peculiar characteristic Japanese economy foreigners have no cho to accept. In the last Japan will only be a harmonise its own tradin with those of the rest world if it accepts tha takes place within a p context and that some of major partners — Western Europe—are *some serious political* pr which have quite a lot with the Japanese imbal appears that a few pe Japan are now start recognise this fact.

Charles S

Maintaining its competitive edge

UP TO the early 1960s Japanese goods sold abroad mainly because of their low prices which, in turn, were due to the low cost of Japanese labour compared with that of Europe or the U.S. To-day, most Japanese goods sell abroad on the strength of "value for money"—meaning that they combine quality with reasonable, but certainly not rock-bottom, prices.

The reason for the price-*competitivity of Japanese goods* has ceased to be cheap labour since Japanese wage levels are now above those of the U.K., France and Italy and probably not so very far below those of West Germany and Benelux. Instead value for money has become a function of labour cost per unit produced—in other words Japan has gone for *productivity as the key to its* success in world markets.

Comparisons between Japanese and European productivity levels are not always easy to make since equivalent sets of figures may not be available at both ends. The following instances, however, illustrate the kind of thing the Japanese have in mind when they claim that they have left Europe behind in some (but not necessarily all) major industries:

1—Productivity in the Japanese steel industry rose from 102.8 tons per head per year in 1962 (or rather below British levels) to 403.2 tons per head per year in 1974 (when, in the opinion of a visiting mission from British Steel Corporation, Japanese steel productivity was probably between two and three times as high as Britain's).

2—Turnover in a "typical" large Japanese ball bearings company in 1976 came to Y14.8m. per man, compared with Y7.9m. for the SKF group (whose total turnover was much larger than that of the Japanese company concerned) and Y4.0m. for RHP the leading British ball bearings maker.

3—In the Japanese motor industry in 1975 one worker was producing about £1,000 worth of car every nine days in 1975, while a British Leyland worker was taking about 47 days to do the same.

Similar comparisons could be made for other strong Japanese industries, such as co electronics and shipbuild each case the reasons f *productivity gap between* and Europe would appea very similar. Japan h vested more capital in industries than any ind European country over t two decades and has greater stress on mod tion. Investment in Japanese steel industry from $598m. in 1960 to in 1975, while British ment in steel over the period made the modest from $409m. to $706m West Germany manage increase of from $270 $682m.

The Japanese used the they spent on the steel in not just in building plants than Europe but a maximise the benefit modern technology. Aro per cent. of Japan's steel is produced from basic o furnaces (a technology the Japanese steel in acquired comparatively in the early 1950s fro Austrian originators).

CONTINUED ON NEXT PAGE

JAPAN AND EUROPE III

Putting up the shutters

...Japan is difficult ...fact is agreed by ...n has anything to ... market, including ...xporters. Japanese ... and trade officials ... both sides of the ... trade controversy. ...agreed is why it is

...businessmen norm- ... stress the com- ... Japanese distribu- ...s the main obstacle ... the Japanese con- ...hen go on to point ... that they have to ...e system as well. ...porters, especially ...ve found that their ...s did not come up ... point to the exist- ...tariff barriers and ...ive guidance" by ... ministries. To try ... myth from reality ... problems are con- ... thankless and per- ...mpossible task — ...e has his own idea ... It nevertheless has ...ted if business rela- ... continue on any ...vel between Japan ...eas trade partners, ...act which needs to ...mind is that Japan ... in the compara- ... past from being a ...h followed a highly ...ade policy. The ...ff law was revised ...ond World War so ... maximum protec- ...ustries which the ... wished to ...hile favouring the ... industrial raw ...e tariff system, and ... system of quota ... were partially ... the late 1950s and ... But at the end of Japan still had a ...ge tariff level on ...d goods imports ... Western industrial 2.7 per cent. com- ...an average of 8.4 ... the eleven major ...untries after the ...f the Kennedy ...an unusually large ... quota restrictions ... April 1969).

...969 and 1972 there ...and far reaching ... of Japanese trade ...uota restrictions ... only 29 items by ...day the number ... while a unilateral ...d tariff cut of 20 ...e 1972 put Japan's ...ffs slightly below ...r industrial coun- ...e liberalisation ...ever, came late ...y the yardstick of ...rnational trade ... had been in sur- ... They also came ... point of view of ...rters who were ... trying really ... Japanese market ...vn industries had ...helmingly strong ...sitions. ...rea of relatively ...s to the question of health and safety regulations and the like. Japan maintains a meticulous array of such controls which are strictly enforced and which frequently differ from those of other countries (though, where there are similarities, they are more likely to be with the U.S. than with Europe).

Examples are: 1—the existence of a positive rather than a negative list of food additives (in other words the Japanese customs will only permit the import of a foreign food product if all its ingredients appear on the official "approved list" whereas in many other countries a product will be admitted so long as none of its ingredients have been specifically banned).

2—An extremely comprehensive list of safety standards for cars which includes both quantifiable (that is measurable) standards and non-quantifiable standards where what counts is the individual judgement of the Japanese inspector. (An example of a non-quantifiable standard is one which requires that the rear lights of a car should be red and not orange or any other colour in the judgement of the inspector).

3—Elaborate testing procedures for testing chemicals which mean that the period required for the introduction of a new chemical product on to the Japanese market is considerably longer than in most other markets (as an example: a major European chemical company recently decided not to introduce a new pesticide in Japan because it could not have passed its tests and been placed on the market before 1982 or 1983.)

Reduced

The encouraging point about the standardisation problem is that differences between Japan and the rest of the world have been reduced to some extent during the past two years as a result of negotiations between Japan and certain Western Governments. Japan agreed during 1976 to allow EEC member countries to conduct certain quantifiable tests on Japanese cars and to station Japanese inspectors in Europe to carry out some of the unquantifiable tests. It also granted foreign car exporters a three-year grace period in the enforcement of automobile emission controls due to come into force, for domestic cars, in 1978.

Another major Japanese concession was the acceptance late last year, of European pre-clinical tests for pharmaceuticals. This means that the tests no longer have to be done all over again in Japan, a process which used to add about one year to the time taken to place a European drug on the Japanese market.

The standardisation process has a long way to go in areas other than pharmaceuticals and there are important vested interests in Japan (particularly in places like the Ministries of Health and Welfare and the Ministry of Agriculture) which would like to maintain the present differences. At the highest levels of the Japanese Government, however, it appears that standardisation is now accepted as desirable so long as it does not endanger what Japan considers to be basic standards of health or safety.

The third area in which access problems quite clearly do exist is the Japanese distribution system. For political and social reasons the Japanese Government protects small retailers and restricts the growth of large distributors such as chain stores and department stores. The result is that there are well over 2m. family stores in Japan whose power to hold stocks or to finance themselves is relatively weak and who need to be served by an elaborate network of wholesalers. Many products, both Japanese and foreign, reach the retailer through two "layers" of wholesalers, each of which naturally expects a mark-up.

Control

Japanese manufacturers have reacted to this situation by attempting to exert control over the wholesale system either by financing or occasionally by outright takeover. Foreign electronics manufacturers attempting to sell consumer products in Japan have found the "forward integration" of Japanese electronics manufacturers into the wholesale distribution system presents a formidable obstacle to increasing their sales. In some cases forward integration may even penetrate as far as the retail level. A (Japanese) purchaser of an air-conditioner at a typical family store recently found that the young man who came to install it in his home (and who negotiated a discount on the price) was an employee of the manufacturer.

A fourth problem area, in which fact is much harder to separate from myth, is the one which comes under the general heading of official intervention or "guidance." Some foreign businessmen believe that the Japanese government (meaning in this case the Ministry of International Trade and Industry) intervenes directly on occasion to prevent the import of a particular foreign product by introducing instructions to the would-be purchaser not to buy it. MITI has also come under suspicion at times of issuing generally discouraging "guidance" to importers or distributors of foreign products such as trading companies or department stores.

The trouble about such allegations is that they are for the most part unprovable, one way or the other. However, a very small number of instances of guidance relating to specific products have come to light.

A more obvious type of official discrimination is in the field of official procurement by government agencies where Japanese companies enjoy a very definite edge. An attempt by Canadian electronics manufacturers in 1975 to be allowed to tender for telecommunications equipment needed by NTT (Nippon Telephone and Telegraph, the state telecommunications corporation) was met by the reply that Canadian companies would be welcome to bid, but there was no way in which they could be given an order.

A further point about "guidance" to importers, which does appear to have some validity, is that the Ministry of International Trade and Industry is quite capable of issuing "positive" guidance—that is, encouraging trading companies and others to step up their purchases of foreign goods at times when Japan's payment balance shows signs of running too far into surplus. Guidance of this kind was apparently issued to the presidents of the ten major sogo shosha (general trading companies) by the Minister of International Trade and Industry Mr. Komoto when the Japanese trade surplus with Europe emerged as a trouble-some problem in autumn 1976.

The most realistic answer to the general question of why Japan is a difficult market would seem to be: because it is different in every conceivable way from the Western industrial markets in which most European exporters are accustomed to selling their goods. A second factor, clearly, is that Japan was a highly protected market and still retains some of the attitudes and habits (among consumers as well as businessmen) which went with high tariffs and quotas. Deliberate efforts on the part of the Japanese authorities to keep out foreign goods and favour local producers are nowadays exceedingly hard to pin down—although bureaucratic attitudes and an addiction to red tape which can make life difficult for all kinds of businessmen (Japanese or non-Japanese) are ubiquitous.

Attitude

The attitude of the Japanese Government and of the Keidanren (the Japanese equivalent of CBI but considerably more powerful) to the access problem is that misunderstandings and suspicions on the subject are generally damaging to Japan's interests and should be cleared up as completely as possible. The Keidanren (whose interests are strongly on the side of large and internationally oriented Japanese companies versus the small domestically-oriented sectors such as small-scale distributors) has attempted to offer itself as a channel to the Government for complaints about access problems by would-be exporters. Neither the Keidanren's good offices nor anything else are likely to turn Japan overnight into an easily accessible market. But, on the other hand, the odds are not permanently or deliberately rigged against the exporter.

C.S.

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Japan's competitive edge in major mass production industries is so large at present that it is hard to see how, in a low growth era like the mid-1970s, European steelmakers, shipbuilders and perhaps even motor manufacturers could possibly hope to catch up. This, however, does not mean that there is nothing else for Europe to do except admit defeat. There are other industries where Japan is not so far ahead and there are industries where Europe appears to be moving into a more favourable position than Japan because of factors such as raw material supplies or environmental conditions.

An example of a major Japanese industry which is faced with deteriorating competitive conditions outside its control is petrochemicals where the high cost of imported raw materials and the increasing environmental consciousness of the Japanese people themselves are beginning to cause some fairly serious problems. Industries where Europe is ahead and reasonably likely to stay ahead of Japan in terms of productivity or technological sophistication include not only the obvious areas like aircraft aero engines and defence, but also somewhat more unexpected sectors such as automobile parts, diesel engines and high quality audio equipment.

The lead of Europe (and the U.K. in particular) in the automobile components and diesel engine industries can be traced to the fact that these British industries are major exporters to world markets, whereas their opposite numbers in Japan have so far only had the benefit of "exposure" to their own (admittedly huge) domestic market. In more specialised sectors such as top quality audio and advanced electronics Europe's lead seems to be due to the fact that Europeans are temperamentally inclined to specialisation whereas Japanese business, instinctively or otherwise, goes for the benefits of scale and mass production.

Strategy

The correct strategy for Europe to follow in dealing with Japan might seem to be to push as hard as possible for access to the Japanese market for the products in which European industry is strong, while accepting as philosophically as possible the existence of a decisive Japanese lead in other areas. There are two other points, however, which come into the picture. One is that new industries (for example computers) are being developed in both Japan and Europe where a competitive edge on one side or the other may count for hundreds of thousands of jobs and billions of dollars of export earnings in five to ten years' time.

The second point is that Japan's lead in certain industrial areas is starting to be challenged, not chiefly by Europe, but by some of its near neighbours such as Korea, Taiwan and the offshore countries of South East Asia. The ailing Japanese chemical industry seems likely to find itself under increasing pressure in the next few years from the rapidly growing chemical industries of Taiwan and Korea, just as the Japanese textile industry is already having to fight for its life against Korean competition.

Japanese business has reacted to the industrial emergence of Korea and Taiwan partly by demanding protection against their products—as Europe has tended to do with the Japanese challenge—but chiefly by investing in them. Some European businessmen have also, apparently, grasped the point that investing elsewhere in Asia may be the best way, in the long run, for European industry to "get its own back" on Japan. European electronics makers who have established factories in Singapore to supply the Japanese market and chemical companies which are manufacturing for the Japanese market in Taiwan appear to be working on this principle. Such investments, however, are still apparently the exception rather than the rule.

C.S.

European exporters could try harder

"I CANNOT imagine an appreciable increase of EEC exports to Japan as long as the EEC remains so inactive in its export efforts as it is to-day . . . In my view it is no overstatement to say that the EEC has ignored the Japanese market." These are the words of Mr. Hirosuke Dan, a senior official of the Japanese Finance Ministry who wrote a series of newspaper articles earlier this year under the title: "My advice to our friends in the EEC."

Mr. Dan's two main points were that the Japan-Europe trade imbalance was due to the "superior competivity" of Japanese industry and to European exporters "not trying hard enough." The second of these two points has been made by numerous other Japanese businessmen and officials during the past year or two, including such people as the President of Marubeni Corporation, Mr. T. Matsuo (who also happens to be the head of the British Market Council, an association of Japanese businessmen dedicated to expanding trade with the U.K.), the Director General of the International Trade Policy Bureau of the Ministry of International Trade and Industry and the Director of the Planning section of the Ministry of Foreign Affairs. How much truth is there in this assertion?

Difference

One way of backing up the argument that Europe has not "tried hard enough" in Japan is to point to the difference in size of the European business community in Tokyo and that of the Japanese community in Europe. There are substantially more Japanese businessmen permanently stationed in London (about 4,500 at present including families) than there are British businessmen in Tokyo, and the Japanese, by and large, have been there longer. This, however, simply reflects the fact that Japan was obliged to make sales efforts in Europe earlier than Europe felt impelled to do the same thing in Japan, because Japan was and is relatively short of export markets in its own part of the world whereas European countries all have major markets for their exports on their doorsteps.

What really matters is whether the European export effort in Japan can be considered adequate to the situation that exists now—in other words to the situation in which Japan has achieved a high degree of penetration into the key markets of major European industries while Europe has yet to achieve similar penetration in Japan. The answer would seem to be that European governments—or some of them—have for some years been making intensive efforts to encourage their businessmen's export efforts but that European industry has put up a mixed performance ranging from extreme determination and patience in the face of the adversities that afflict most would-be exporters to Japan, to total neglect.

Efforts by European governments to "do something" about the Japanese market include the impressive but costly British Export Marketing Centre in Tokyo, which has staged more than 40 officially sponsored exhibitions of capital and consumer goods over a 3½ year period, introducing many British companies to the Japanese market for the first time and in some cases opening up whole new consumer or capital goods markets to British exporters. The Centre, which is the only one of its kind operated by Britain anywhere in the world, costs between £500,000 and £600,000 a year and offers would-be exhibitors a £200 "package," which includes the entire cost of participating in a Government sponsored exhibition, together with a partial travel grant for visiting executives.

The French Government, which closed its own smaller exhibition centre in Tokyo in 1974 is now thinking of reopening it in response to advice from the Keidanren (Confederation of Japanese economic organisations). Another interesting exercise in trade promotion in Tokyo, falling somewhere between the private and public sector, is the newly opened Federation of Danish Industries' office. This represents 30 Danish companies without charge but on condition that the companies provide "follow-up" in the form of visits by executives when the office considers it necessary (the money for the FDI operation comes from a private grant from the Thomas B. Thriges Fund, a smaller Danish equivalent of the Ford Foundation).

Efforts by the European private sector to sell in Japan, as already indicated, tend to run to extremes. Many successful European exporters have taken the pains to set up a wholly-owned sales company, or to invest in a joint venture sales operation with a Japanese partner. Some of the most successful of such operations have been operating since the late 1950s or early 1960s and have long ago earned back the original investment of the parent concern. Other equally determined entrants to the Japanese market have hung on grimly with wholly-owned sales operations, but have yet to make a profit and cannot see the time coming when they will be able to do so. The years 1974-76, when Japan's imports of manufactured goods dipped sharply were a punishing period for newly-established sales offices—especially because of the Japanese convention that an employer does not dismiss staff no matter how badly his business does during a recession.

Opposite

At the opposite extreme from the companies which seem determined to get into the Japanese market at all costs are those who make an attempt at selling in Japan but quickly reach the conclusion that "the Japanese are determined to keep us out somehow or other." Somewhere between the two extremes comes the well-entrenched army of import houses, trading companies and agents (both Japanese and foreign) which have been making very handsome profits over a long period by contenting themselves with a small share of the Japanese market and allowing themselves a handsome profit on every item they sell.

Examples of European (and American) products which sell in Japan at what outsiders would consider inflated prices include: a well known brand of Scotch whisky which has a c.i.f. value of Y677 per bottle and costs Y2,145 by the time it has paid import duties and liquor tax but which sells to the consumer at Y14,380; a French brandy with a cif price of Y2,850 and a "customs cleared" value of Y10,285 but whose usual retail sales prices is around Y25,000; an American car which costs $4,812 f.o.b. and Y3.2m. (around $8,300) by the time it has passed the customs and undergone some necessary alterations for the Japanese market, but which is likely to carry a retail price of around Y3.8m.

Responsibility for the "fantastic" mark-ups of many western products sold in Japan does not, of course rest solely with the importer or agent. The double or even treble layer of wholesalers through which most products have to pass jacks up the price very considerably, and Japanese department stores (which often only accept many foreign goods on a sale or return basis) are quite capable of imposing a 70 or 80 per cent. mark-up on (say) a piece of European furniture.

Importers who have established a profitable market for a luxury product from Europe have been known to fail miserably when they attempted to move "down market" and reach a larger number of Japanese consumers. A well known British chocolate and toffee assortment w regarded as a desir item in Japan while was maintained at a lost half its market s four years when the was prevailed upon t the upper end of market.

To some the more story may simply b try" but there is a as well. A well establ duct with a luxury Japan can easily be ur by the arrival on th of a still more " product which Japa sumers had not hear the first product g original popularity. A of this kind of phen the decline of some Scotch whiskies in Ja Japanese consumers result of trips to started to discover and malt whiskies.

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The tourist invasion

EARLY IN June the Japanese department store of Mitsukoshi held a gala dinner at the Chateau of Versailles. Some 800 guests of the department store flew to Paris from Japan for the occasion, which is estimated to have cost about $100,000, almost all of it paid ultimately by the "guests."

The dinner was followed by a fireworks display. Usually such occasions are handled by Ruggieri, the French firm which specialises in such displays—this time the show was purely Japanese, and, instead of the silvery baroque showers of sparks a la Ruggieri, the Versailles guests — some 2,000 Japanese altogether, dressed in dinner jackets for the men, long dresses for the women—were treated to the mighty petards in which Japanese firework makers specialise.

Such festive Japanese occasions are rare in France. This was the first time that the chateau had been rented to the Japanese, who expressed their gratitude by donating a chandelier to Versailles, at a cost of $10,000. And there is some feeling in the Japanese community in Paris that such display was in bad taste.

Bad taste or no, the Japanese pour into France in ever-increasing numbers. Most of them come on package tours with Japan Air Lines, organised by tourist agencies in Japan, and, when they visit Versailles—as almost all of them do—they do not take physical possession of the chateau. They go there as normal visitors.

Last year a total of 300,000 Japanese visited France, according to the Japan National Tourist Office while only 19,000 French people visited Japan. The disparity, according to the JNTO in Paris is because Japanese travel agencies are better organised than French one—the former offer Japanese tourists a week in Europe all-in at a price of around Frs.4,000, whereas a French visitor to Japan on a JAL package must pay about 50 per cent. more.

The major reason for the tourism "deficit" of Japan with Europe, however, is that the Japanese are more interested in Europe than are the Europeans in Japan. Thus, for Europe as a whole in the year to end-March 1976, travellers to Japan numbered 101,000, while there were 271,000 Japanese tourists visiting Europe in that year, according to Japan Air Lines.

The difference between JNTO and JAL numbers is accounted for by the fact that the State tourist organisation of Japan makes a more comprehensive count of visitors from Japan than does JAL. There is no doubt that the overwhelming direction of the tourist trade is from Japan to Europe rather than the other way round.

Payments

During 1975, according to Japanese Ministry of Finnace statistics, Japanese foreign exchange payments for tourism in the EEC amounted to $312m., whereas European spending in Japan was only $26m. The disparity would be even greater if purchases by Japanese tourists in Europe were taken into account.

At a very minimum average Japanese spending on presents and other personal items would be $100 a person. With something like 300,000 Japanese visiting Europe a year, the extra spending on these items would come to another $30m. All told, therefore, Japan's tourist "deficit" with Europe is of the order of well over $300m.—which goes some distance to counterbalancing the large European deficit in visible trade with Japan ($5bn. this year).

The scope for developing the Japanese tourist trade is great. At present Japanese visitors mostly confine themselves to capital cities—many capitals in a minimum number of days, "doing" Europe much as the Americans used to after the war. This is an unsophisticated trade which is certain to change in character.

Japanese visiting Britain, for instance, spend most of their time in London, barely visiting the countryside, unless they stop on the way to Stratford in the bus. Very few Japanese go to Scotland, to Wales or to the north of England. They spend their short visits in the home counties, and largely limit themselves to going to the Tower of London and Buckingham Palace.

Very few Japanese settle in Europe. In Paris, where there is the greatest concentration, there are little more than 10,000 Japanese residents. And the greater part of these people are students who stay in France for a couple of years at most. The rest are businessmen or government officials.

There is no tendency for the Japanese to settle in Europe, as they have done in Honolulu, on the west coast of America and in Brazil. Nor is there any Japanese community in Europe comparable to the Chinese in London or the Vietnamese in Paris. Almost all Japanese except those married to foreigners sooner or later feel the urge to go home. One reason is that the most Japanese who come to Europe are Bon Bourgeois, quite unlike the impoverished farmers who emigrated to Br America early this they have the means t at any time.

Lacking a cuisine national appeal—un Chinese and to a les the Vietnamese—and h historic ties with Eur unlike other orien Japanese have been settle in Europe. The exception to this rule the community of art has established itself mostly living in traditi to-mouth existence more financially feasil 1920s than to-day.

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Henry Scott

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Invisibles gap in Europe's favour

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TRADE AND INVISIBLES BALANCES OF JAPAN BY GEOGRAPHICAL BREAKDOWN, 1975
($USbn.)

to:	World	U.S.	EEC	of which U.K.
Balance of trade	5,028	1,045	2,500	687
Balance of services ...	−5,354	−1,907	−1,987	−1,503
of which:				
Transportation ...	−1,981	− 954	− 463	− 643
Insurance	− 155	− 42	− 30	− 10
Travel	−1,115	− 229	− 286	− 59
Investmt. income	− 273	− 298	− 638	− 559
Other (incl. royalties)	−1,830	− 384	− 570	− 232

Source: Bank of Japan.

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Since then, Japan's invisibles account has risen to a $1.78bn. deficit for the first quarter of 1977, or somewhat higher than either of the same periods in the two previous years ($1.52bn. in 1976 and $1.51bn. in 1975).

On closer investigation, however, it is apparent that most of the increase (and then some) in Japan's deficit from January to March can be ascribed to increased outflows on transportation and travel (including tourism). For instance, transport debits went from $2.1bn. to $2.4bn. in the last period, and travel debits from $370m. to $517m. By contrast, there was only a small improvement ($160m.) in the amount of money Japan earned from overseas on transportation account, and virtually no change on travel account. Thus, one might generally assume that the increase in Japan's invisible deficit, using the latest statistics, appears to come off (a) the higher volume of exports which inflict higher transportation costs, and (b) a steady rise in the number of Japanese travelling overseas.

With the prospect of a $12bn. trade surplus or more in 1977 and an invisible deficit of perhaps $6bn., the argument that Japan exports goods to help cover its services deficit has tended to recede, at least as far as the balance with the world is concerned. And in the case of the EEC, discussion of invisibles account has rarely got beyond the bilateral dispute with Britain, primarily because the U.K. accounted for 55 per cent. of credits and 64 per cent. of debits in Japan-EEC services in 1975 — and about three-quarters of the Japanese invisibles deficit in that year with the Nine.

The invisibles trade, however, is not one of the pressing disputes with Britain either, precisely because it is one of the few accounts in which Japan has consistently been a debtor to Britain in recent years (whichever way the accounting is done). What is bound to recur, though, is the argument about whether this invisible deficit with Britain in some way justifies an equivalent trade surplus.

First, the two sides will have to reach some agreement about what is and is not Britain's gain from the invisibles trade. London's role as a financial and insurance centre will continue to generate indirect capital flows from Japan to other countries through the City, and although Eurocurrency borrowings are registered on Japan's capital account, the interest payments are considered a service debt position. "The whole interest may be paid to a London bank in the first instance, but most of it may then be remitted to the original lender in a third country. This is the main reason why the British and Japanese statistics on the invisible account do not tally," admits the Japanese document put out in January. But Tokyo staunchly defends its own interpretation: "Since we are talking about the balance of payments context of invisible trade, it would seem proper to total up the gross payments on one side and the gross receipts on the other side, and take the resulting balances as the true bilateral surplus or deficit without going into the question of consequential payments to or from third countries."

What fundamentally divides the U.K. and Japan on this argument, therefore, is Britain's desire to talk less about the balance-of-payments context and more about the real impact of invisibles trade on the U.K. As such, London is keen to see much greater recourse, for instance, to its insurance facilities. But not necessarily at the expense of giving Japan an excuse to export more on visible account.

This is the crux of Britain's various efforts to show that Japan's invisible deficit with the U.K. is really much less than Japan contends. Last year Britain had a trade deficit of £436m. compared with £365m. in 1975 with Japan. No exact figures for the bilateral invisibles account in 1976 are available, but they are estimated on the British side at about the level of the previous year (£250m.) and possibly less.

Thus, by Britain's arithmetic, invisibles went nowhere near to covering the imbalance caused by the boom in Japan's exports to Britain.

The Bank of Japan has not yet published the regional breakdown of trade in services for 1976, but observers expect there will be little change, and possibly a marginal drop, in the deficit with the U.K., that is, continuing at around the 1975 level of £650m. (£275m. on shipping, £225m. on investment income and £150m. on royalties and other items).

Tokyo also points out that branches of Japanese banks and companies spend about £500m. each year in the U.K., notably on Eurocurrency borrowings (by the local branches), insurance premiums, office expenditure, and so on, or about £166,000 for each of the estimated 3,000 Japanese businessmen residing in the U.K. British statisticians will say that the amounts are doctored and show up as outflows to surrounding European countries which have lent the Eurocurrency, etc. But that sort of spending-per-capita would be hard to pass up, and Japan knows it. The U.K., for its part, will continue to want to divorce the invisible from visible accounts. London tends to see the former as money and the latter as jobs, and therefore not suitable for haggling.

Douglas Ramsey

Voluntary restraint

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1972 onwards
of "voluntary restraint" agreements began to make its appearance, for two reasons.

One was the fact that, in that year, the EEC and Japan abandoned their efforts to negotiate a Japan-EEC trade agreement, which would have abolished all surviving item by item restraints on trade but substituted (if the EEC had had its way) a general Community-wide safeguard clause providing for emergency action against Japanese imports. The second reason for the re-emergence of voluntary restraint arrangements was the fact that certain new Japanese export products began to perform spectacularly well in European markets.

In order to fend off trouble with Britain, Japan undertook, in 1972, to hold back its shipments of TV sets, ball bearings and certain types of textile fibres to agreed levels for a limited period. These restraints did not become permanent but they were replaced by others (in some cases restraints were replaced on the same items) as Japan's trade surplus with the U.K. and other European countries widened from 1973 onwards.

Banned

By 1976 an estimated 30-40 per cent. of Britain's imports from Japan were subject to voluntary restraints of one kind or another (though in certain cases these might be expressed simply in terms of a "market forecast" by the Japanese industry concerned). In Continental Europe some similar restraints existed on Japanese exports to Benelux, while France appeared (and still appears) to be considering a "voluntary" formula for holding down Japanese car exports. (According to some reports to less than 5 per cent. of total passenger car registrations.)

Voluntary restraint is virtually banned in West Germany, technically because it conflicts with German anti-trust legislation, but, more realistically, because German exporters have more reason to fear similar treatment of their sales by third countries than they have to be worried by Japanese import incursions. In Italy "voluntary" arrangements have played relatively little part in trade relations with Japan because the Italians maintain a large number of residual import quotas on Japanese goods (including one which limits Japanese car imports to 2,000 units per year).

The attitude of the EEC Commission to voluntary restraint appears to be that it is a necessary evil pending the signature of a Community-wide agreement with Japan (which, however, now seems to be an extremely remote possibility) but that it should as far as possible fall under Community control. The EEC's external relations directorate "reminded" member Governments last summer that restraint arrangements negotiated at official level were the responsibility of the Commission, not of member Governments (because of the Commission's overall "competence" for foreign trade relations).

It followed up this reminder by carrying out discussions with Japan in the autumn on a voluntary restraint arrangement covering special steel exports to a single member country (the U.K.). The EEC Commission does not attempt to extend its jurisdiction over industry-to-industry agreements negotiated between individual member countries and Japan. However, it does "invite" the industries concerned to submit their agreements to its legal affairs section for clearance under the terms of its own anti-trust regulations. The U.S. steel industry has been forced to watch on the sidelines, with what looks like increasing annoyance and frustration, the "second round" of voluntary steel restraint between the Community and Japan. Because of American suspicions Japan has been careful to ensure that the European steel "arrangement" lacks any legally binding force —there is, in fact, almost certainly no written document of any kind which holds Japan to its commitments. This does not alter the fact that the arrangement has practical validity and that the U.S. suspects the Japanese of "diverting" steel to the U.S. a result of it.

Because of their suspicions about the diversion of Japanese goods from the EEC, the Americans have urged Japan to "unveil" the details of all existing voluntary restraint arrangements at the GATT multilateral trade negotiations. Japan has also come under pressure from the U.K. and possibly from elsewhere in Europe, during the past year or two to make a fuller statement of its commitments to restrain exports, so that governments of the countries concerned could reassure their own electorates that measures were being taken to deal with the Japanese trade "problem."

Escalation

Faced with this type of demand, and with the sudden escalation of the Europe trade problem in the autumn of last year, the Ministry of International Trade and Industry did consider drafting a document which would reveal relatively full details about Japanese restraint. The attempt was abandoned, apparently because of the impact that such details might have had on trade relations with the U.S.

The outlook for voluntary restraint by Japan in the European market is that the EEC will try to take more and more responsibility for such matters into its own hands, while the Japanese will become more and more nervous of making public or semi-public undertakings to Europe which could inflame the Americans. The EEC's unsuccessful attempt to drive Japan into worldwide market-sharing agreements on ship exports may be one indication that the bilateral Community-Japan approach to solving Japanese export problems is ceasing to get results.

C.S.

Trading companies hold the key

JAPANESE GENERAL trading companies (*sogo shosha*) are bound to figure in any discussion about trade problems between Japan and the outside world for the simple reason that they conduct a huge portion of that trade. In 1974 the top ten general trading companies handled 58 per cent. of Japan's exports and 57 per cent. of its imports. Amongst the top ten, the top two, Mitsubishi Corporation and Mitsui and Company, occupy a dominant position while the next three Marubeni Corporation, C. Itoh and Company and Sumitomo Shoji are also giants by any standards.

For the European importer wondering how to penetrate the market it is tempting to believe that the trading companies could act as a kind of fairy godmother, using their power and influence, if only they could be persuaded to do so, to open all doors in Japan.

In fact the big trading companies *do import European manufactured goods* into Japan. They are the agents for British products ranging from marmalade to cigarette-making machinery and from tea to offset printing machines. The list of their agencies, however, does not seem to be as long as one might expect and they do not appear to have been much more successful than other would-be importers in penetrating the Japanese distribution system. Why is it that the power and influence of the trading companies has failed to break down obstacles in the Japanese market for European exporters when it has done so much for Japanese exporters outside Japan?

Answer

The stock answer to this question is that the trading companies deal in bulk goods at low margins and therefore cannot be expected to show much interest in handling small and specialised items imported from Europe. Trading companies are geared to import iron ore from Australia or soyabeans from the U.S. where they will be handling millions of tons and billions of dollars worth a year of a given product.

As exporters, the trading companies may handle the goods of relatively small or specialised Japanese companies, but these goods are bought in bulk in Japan and then sold overseas through a worldwide network of branches and overseas affiliates which are geared (unlike the trading company's head office in Tokyo) to achieving penetration of local consumer markets. Result: the trading company seems to be too massive an instrument to act as the ideal sales outlet for a medium sized European manufacturer wanting a modest share of the Japanese market.

If the trading companies are not very interested in selling European consumer goods in Japan, what else can they do? One function which they can usefully perform is to advise an exporter on alternative ways to sell his goods. A big trading company with extensive knowledge and contacts in Japanese *industry and commerce* could suggest either a specialised trading concern (of which Japan has over 6,000) or a manufacturer with a complementary range of goods who might be anxious to handle an imported product.

Alternatively, major *shosha* can be induced to become investors in joint venture operations devoted exclusively to selling the products of major European or U.S. exporters. Mitsui's 65 per cent. stake in Leyland Japan (with British Leyland holding the other 35 per cent.) is an example of a giant trading company putting its weight behind efforts to even out one of the most crucial imbalances in Europe-Japan trade.

A less widely publicised joint venture is that between Sumitomo Shoji and a European partner in Oriental Diamond, a joint venture which imports Y9bn. worth of diamonds per year, mainly from Britain, and claims to supply about 15 per cent. of the Japanese gem market.

Another increasingly important role of Japanese trading companies is to promote flows of trade outside Japan. Most of the big *shosha* are well placed to do this since their overseas sales networks in terms of number of branches, number and quality of personnel and communications "hardware" are unrivalled by the trading organisations of any other country. What was at one time lacking but now seems to be getting steadily stronger is the *motive* for trading companies to offer their overseas networks as channels for non-Japanese trade.

Trading companies in some parts of the world appear to have served their purpose in creating markets for Japanese products which can now be serviced, without the intervention of the trading company, by the Japanese manufacturer itself. *In other instances the shosha* have built up world-wide markets for products which used to be exported from Japan but which are now too scarce or costly in Japan itself and thus have to be supplied from other sources. (A case in point is the American market for plimsolls which was successfully developed by Mitsubishi on behalf of Japanese manufacturers but which Mitsubishi is now having to supply from Korean and other Asian sources.)

A final, and compelling motive for trading companies to interest themselves in the exports of countries to which they orginally only attempted to sell Japanese goods is the need to maintain purchasing power in such countries. Japanese trading concerns frequently get involved in selling East European manufactured goods in the Third World as part of the price of being allowed access to the markets of Eastern Europe. In the case of Western Europe the link between access to the markets and exports to third markets is less direct and obvious but is nevertheless beginning to be apparent.

Examples of successful efforts *by Japanese traders to sell West* European goods in third markets include the sale by Mitsubishi Corporation's London branch of $400,000 worth of *British* canned foods in the Middle East during the past 10 months and the sale of about $2m. worth of French cigarette-making paper by Mitsubishi's Paris branch in Indonesia.

The other, more specialised type of intermediary role which the *shosha* can p organisers of ir tenders for plant Japan's stress on th plant to developing r as Africa, Latin A the Middle East ha of the most striking its trade performa the past two years beginning to cau worries in Europe.

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Spread

The reasons why companies go outsid subcontracts in n tenders are (a) to financial or politic volved in some majc (b) to take advanta pean technology in Japan continues to l to take advantage European prices.

When all is said Japan's giant tradin are still Japan-ori likely to remain sc not, for example, t emerge as significar of European cars or facturers to third which the Japanes motor industries interest. However, are apparently begir that the next step i history of diversifi have to be outside J very least this shou possibilities for Eu ness.

Foreign involvement

FOREIGN AFFILIATED companies take over 50 per cent. of the Japanese market for instant coffee, cornflakes, Instamatic cameras and deodorants. The list is longer, but confined to fewer than 50 products. Some machinery has come to be the preserve of foreign companies (cash registers, for instance, and computers most of) but many of the big foreign brand items on Japanese grocery shelves or showroom floors are still made under licence by Japanese companies. Controls on incoming investment into the data-processing sector have been disbanded, so there are no important industries from which foreign companies are excluded ten years after Tokyo began to *liberalise in earnest*. But there is a growing malaise in foreign business circles about the future of investment in Japan in light of the recent *increase in the incidence of* foreign partners pulling out of joint ventures in Japan.

Direct investment, however, has never been more than a *marginal sum in the flow of* investment from overseas. The Foreign Investment Council, which approves foreign investment applications on behalf of the Finance *Ministry*, authorised proposals worth $195.7m. in 1976 for investment in companies where the investor aimed to have a say in management (*that is*, where the foreign partner would have between 20 and 100 per cent. of a company's equity). But that sum looks small compared with total foreign investment in stocks ($4.8bn.), and thoroughly insubstantial compared with total foreign investment validated last year.

Authorised

The total investment authorised (though not necessarily invested) by the Foreign Investment Council was $11.4bn., and apart from equity purchases the big items included the purchase of public and corporate bonds, acquisition of claimable assets arising from loans, and proceeds from external bond issues.

The investment figures are misleading because they do not deal with net investment flows. In May, for instance, foreigners brought $36m. worth fewer stocks than they sold, so the net flow was out not in. They bought $173.5m. worth of bonds and beneficiary certificates, and sold $32m. fewer. So the net effect was to cancel incoming and outgoing flows of portfolio investment, thus leaving as the "real" inflow of overseas capital the amount of direct investment in the form of "management" *stock acquisition* ($15.5m. in May) and investment by foreign enterprises in their Japanese branches and affiliates ($4.9m.). During May, Japan Steel Works *and Nippon Mining each issued* $15m. corporate bonds on the Euromarket, and the proceeds are also counted as foreign investment.

What is not available from any official source, however, is the amount of direct investment withdrawn from Japan. But the sums are considerable—for instance, in the spring, Kraft of the U.S. withdrew from its joint venture with Morinaga Milk Industries by selling out its $2m. *share in the company—or more* than the biggest single incoming direct investment in Japan that same month.

In fact, direct investment flows are as irregular as those on portfolio investment. In February, for instance, the direct inflow came to $25m. because several major foreign companies (including Smith Kline of the U.S. and Massey-Ferguson Nederland) set up 100 per cent. subsidiaries and Shell put $5m. into a new joint venture with Mitsubishi Corporation to explore for and eventually develop oil or gas deposits on Japan's continental shelf. But then in April, by contrast, only $5.7m. was approved for investment from overseas.

Until 1976, new investment in Japan appears to have largely stayed ahead of pull-outs, even though the figures are scanty, and it is easier to talk about the number of companies involved than about money passing hands. According to a survey by Business Intercommunications, which publishes an annual report on foreign companies in Japan, about 40 joint ventures were liquidated in the year to last October, and a further 45 companies were transferred to the Japanese partner or foreign capital in them fell to less than 20 per cent. of the total. A modest estimate of the amounts withdrawn under the first case is $12.5m. and nearly one-third of that amount is ascribed to the demise of Remington's joint venture in which it has a 40 per cent. stake. Foreign capital withdrawals from the other 45 companies may have come to about $16m., and the biggest single exit ($3m.) was by *Union Carbide* from a ten-year-old company.

It is clear from most surveys on foreign affiliated companies in Japan that the number of exits has been on the rise since the last round of liberalisation measures were announced in 1973 (although they were not complete until 1976). A survey *by the Nihon Keizai Shimbun* suggested that from only six major cases in 1972, the outflow of substantial foreign stakes grew to 26 in 1975 and then *shot up to nearly 90 last year*, and the business daily concluded that the figure would be higher in 1977.

Recession

A big part of the rise, naturally, is due to recession. Foreign companies are not immune from the unprecedented rise in the number of bankruptcies, and since the tide has not yet turned there is a good chance that other foreign affiliates will go under before the domestic market (*for* domestic production as well as imported goods) picks up strongly. Indeed, experts agree that foreign ventures are *particularly vulnerable to the* stagnant economy because most of them are required by home offices to turn in much better profit performances than the *typical Japanese company*.

Foreign companies, moreover, have had a hard time of management in Japan, not because Japanese managers are no good, but because Japanese managers want to be solely responsible for managing joint venture companies. By and large (and there are major exceptions) the foreign companies which have gone along and left management to their Japanese partners have prospered. General Mills, an American food giant, nearly came to blows with Morinaga over how to manage their joint venture, but did not follow Kraft's path. Instead, General Mills reached a settlement whereby it would continue to hold half the company but leave management to Morinaga, a solution which is apparently suiting both companies.

If management and profitability are two thorns in the side of foreign investors from Europe and the U.S., there is *another one*, the vague *notion* that foreign companies are not really welcome in Japan. Or more exactly, that wanted for their te know-how or brand not for their inve fact, very few comp it into the Japanese fore liberalisation 1967, although a were *liberalised* (nine of the top ten ners in 1975 were before 1967, and m before the last war). *and until 1973*, com dissuaded from goi in the market an (again with some told to set up joint

The intention, th to continue to "bu technology rather foreign companies with a competitive keep the technolog selves rather than s Japanese interests. a *flood of entries* r and foreign compani could bargain for a Japanese market, a from pre-1967 days might have been licence their produ nology and refrair vesting.

Those ground ru after 1973 when n were thrown open cent. subsidiaries *Dow Chemical*, whe to set up a fully-own to produce caustic s new technology, a countered strong *from MITI and the* And it is only sinc major new operatior competitors from ov been able to move ably with the 95 per of Burroughs in data processing firr full takeover by C of its joint ventu Itoh.

Indeed, there is recognition by for panies in Japan that 100 per cent. stake alternative is to buy pany and leave the m to a solid Japanes Many of the join already gone bust verge of doing so h decided (or admitte the game that the partner is after tech is willing to accep return on investmen foreign partner wants than just sell his kno frankly needs a big profitability as well just don't mix.

Cautious approach to setting up abroad

...Y BROWN, the ... California, recently ...ief visit to Tokyo ... barely noticed in ...an Press. His pur...ure one or more ...r manufacturers to ... fact, about half of ...erican States have ...ed open invitations ...oyota and other car ...d most of the ...r companies have ...ink that they may ...ollow Volkswagen's ... setting up U.S. ...ies if they want to ...ith American car ...(VW) without run... risk of import ...

...n's visit did not ... contracts, but it ... the relatively low ...n has taken up to ... comes to investing ...s estimated that all ...erseas investments ...erhaps one-half of ...d about one-tenth ...s. As of March 31, ...s accumulated over...tment came to ... more than double ... outstanding invest... end of fiscal 1972 ...efore the oil crisis). ...'s overseas invest...creased greatly, and ... of Finance predicts ... to $35bn. by 1980. ...ndamental question ... in Tokyo remains ...will Japanese com...ufacture overseas as ... still have a com... by producing for ...e Japan.

... record, the answer ...arly "no," at least ... about investment ...ialised countries. ...invested a total of ...Western Europe, for ...t only 10 per cent. ... in manufacturing ... In the U.S., where ...ment rose to $4.7bn. ...of March, only 22.6 ...went into manufac...

...us exception to this ...rest of Asia which ...s to be Japan's big... for investment ... relatively cheap ...more abundant raw ...ve led the Japanese ...ore in manufactur... which now account ... per cent. of total investment in the region (and mining accounts for another 40 per cent.). "The bulk of the (investment) increases were accounted for by investments for the development of natural resources, for the siting of labour-intensive industries, and for establishing distribution operations to process increased exports," admits the 1977 edition of MITI's handbook on overseas investment.

In 1976 there was no change in this attitude on the part of Japanese investors, or if there was a change, evidence of it has not yet materialised. Compiled by the Ministry of Finance, the figures show that manufacturing investments took only 29 per cent. of new overseas investment in the year to March, 1977 (or $1bn. against $3.5bn.), virtually unchanged in both percentage and volume over the preceding year.

The investment figures for Europe and America, moreover, are misleading because the Japanese statistics include the acquisition of shares and investment loans. Thus, direct investment (including purchases of real estate and the establishment of overseas branches) account for only 6.5 per cent. of Japan's total overseas investment—and manufacturing activities in the developed countries are a very minor part of that total.

Looking ahead, MITI anticipates that "machinery industry may make substantial contributions to increasing overseas investments through the establishment of assembly plants," but expects a growing share of manufacturing investment to be channelled into projects for intermediate goods, notably chemicals and primary metals—that is, in developing and not industrialised countries. Thus, MITI forecasts that in 1980 all investment abroad in machinery (including electrical and transport) will be about 8.1 per cent. of total investment by Japanese companies, or exactly the same as in 1976. Certainly, in dollar terms that will mean much greater investment than the $1.6bn. outstanding in overseas machinery industries at present (in fact about double according to MITI's forecast of $3.1bn. in 1980), but it will still leave Japan far behind the U.S. in terms of manufacturing investment abroad.

There are reasons to believe, however, that the official projections of overseas investment for 1980 may well prove to be underestimated. Above all, there is growing resentment in both Europe and America that despite Japan's huge trade surpluses and exchange reserves worth over $17bn., the country still insists on exporting most of its goods to industrial markets, thus providing employment at home in Japan but, in some cases, taking away jobs in the buyer country's competing industry. Japanese officials contend that U.S. and European companies only invest abroad when an overseas site provides a more competitive basis for manufacturing; Japan, for its part, has the edge over other industrial countries, and therefore has so far needed to invest much less abroad with the exception of industries threatened by other exports in the region (like textiles).

Disputes

Until the oil crisis, there was little concern in Europe or the U.S. about Japan's low level of investment in their economies. Since then, however, disputes have arisen over a whole series of Japan's exports, notably in the case of manufactures like cars, ships, steel and electronics. The prevailing opinion at MITI and in Japanese industry still seems to be one of wait-and-see: there have been few cases where Japanese companies were obliged to set up in an industrial economy to avert being excluded from that market through import restrictions. In 1974, for instance, the zip fastener manufacturer, YKK, was charged with dumping in the Canadian market and as part of its agreement with Ottawa has since built a local zipper factory which now accounts for over 90 per cent. of YKK zipper sales in that country. But YKK's experience has not been repeated, yet, in any of the major Japanese export industries. Will it?

In Europe, at least, there appears to be growing ill humour towards Japan's exports, compounded by declining employment in certain key industries which compete with Japanese companies on Europe's home turf. But surprisingly, it is Britain and not the rest of the EEC which has lobbied strongly for more investment. The surprise, of course, is not a matter of Britain being less unhappy with Japanese exports than any other EEC country. But Britain already enjoys, by far, the largest portion of Japanese investment in Europe.

According to the Ministry of Finance, Japan has 359 cases of investment in the U.K. worth an estimated $1.64bn. As such, the sum represents more than the total Japanese investment in all of Western Europe and far more than the second-ranked host country in Europe for Japanese companies, that is, West Germany with about $207m.

Still, the figures say more about Japan's reluctance to invest in the rest of Europe than about its interest in the U.K. as a manufacturing site. Indeed, Japan's manufacturing investment in Britain is limited to a few well-known companies (Sony, Matsushita). Otherwise, Japanese capital in Britain has largely gone to non-producing sectors.

There have been sporadic bursts of investment activity in other EEC countries, notably Italy and Ireland, where national governments have provided special incentives to new industry, but both countries figure at the bottom of the list of Japan's investments in the EEC in terms of aggregate sums.

The rule-of-thumb used at MITI holds Japan's overseas investments accountable for only about 1 per cent. of Japanese sales abroad, and thus there would seem to be ample room for expansion of manufacturing facilities in developed as well as developing countries. Britain and the U.S. are now becoming more vocal about the need for Japan to provide employment opportunities if they also want to continue to export to those markets, and Japanese companies seem to be reluctantly moving in that direction. But there are caveats.

First Japan may not be allowed to invest too heavily in certain industries even if it wants to do so. Hitachi, for instance, is interested in making colour television sets in the U.K. where Sony and Matsushita are already established. Despite a warm early response from government officials, though, Hitachi now faces opposition from the British TV industry which fears that excessive Japanese investment will kill off the U.K.-owned industry and create fewer new jobs than the ones which will be lost. That would particularly be the case if Hitachi wanted to export a high proportion of TV components from Japan for assembling into the final U.K. product.

Second, Japan is reluctant to invest where labour costs or labour relations have proved a failing for local industry. Not paradoxically, these are the markets which are the most insistent about new jobs from Japanese companies. So far, Japan has had qualified success at its plants in the U.K., but it is by no means certain that the U.K. experience will continue that way.

Third, Japan is naturally less interested in investing in Europe than it is in the U.S. Political considerations aside, the U.S. also represents a more substantial market for Japanese goods: at present Japan sends the U.S. about 50 per cent. of its car exports (only 15 per cent. to the EEC), and the scale applies to most of its biggest export items.

Consequently, import restrictions in the U.S. on any given items have a disproportionately larger effect than do restrictions into the European market. Add to this the Japanese propensity to be more bullish on America than on Europe, and it is clear that the U.S. will be the most attractive centre for Japanese investment, as evidenced by the sympathetic hearing Mr. Brown and other U.S. governors have had from Japanese car companies who would have ruled out the possibility of opening up U.S. assembly lines just two years ago.

D.R.

...urope's financial stake

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...ices can be de...t, the long-term ...he question of ... flows in either ... in 1975. So ... saw a net inflow ... there are no de... about the size ... investment in ...n. The same ...pean investment, ...ear that the pre... "capital" trade between Europe and Japan is in the latter's direction. Beyond that, one takes for granted that European financial centres have become more interested in Japan in the 1970s, as reflected in the mushrooming of investment funds (Europe as well as Asia-based) geared entirely to Japanese portfolios, and this despite the considerable difficulties in operating on a stock market which is fraught with far more insider dealing and abnormally higher p/e ratios that Europeans are accustomed to.

Indeed, the paradox of investing in Japanese shares and bonds in the last three years is that foreigners seem to have kept well ahead of the markets themselves. It is hard to put a figure on the return to foreign portfolios, but they have been substantial. Averaging the increase in net asset values for a dozen of the major foreign "Japan funds" turns up an astounding 90 per cent. average rise in net assets in the two years to December 31, 1976. That compares with a 42 per cent. rise in the Tokyo Stock Exchange Index for the same period. And for 1976 alone, foreign investment trusts seem to have improved their net assets by an average 35 per cent., whereas the TSE Index went up 24.2 per cent. (These figures are calculated on a dollar base; so in Yen terms the relative performance of the TSE and foreign trusts might have been slightly different.)

Profitable

Another indication of how profitable the Tokyo market has been to foreign investors is the performance of European-based trusts, even though depreciated currencies tend to fudge the comparisons. U.K. unit trusts geared to Japanese portfolio investment have outpaced all others in the last five years (S and P Japan growth in first place, M and G Japan in second) and even in 1976 three trusts based on Japanese portfolios were among the top 10 performing sterling unit trusts (GT Japan and General, M and G Japan, and S and P Japan growth).

The performance of Swiss trusts has also been good without the advantage of a declining investor currency, so one can safely assume that the Europeans have fared well with their Japanese portfolios, especially after they took substantial losses in 1974 when they rushed to dump their previously boom-fed Japan holdings. In that year, foreign investors bought only $605m. worth of stocks in Japan, and sold a record $1,738m., or net sales of over $1bn. Still, investors were quicker to become bullish on Japan than most other leading economies, and in 1975 more than three times as much stock was purchased on behalf of non-residents than the previous year: net purchases came to $590m. By 1976, the balance of foreigners' sales and purchases of Japanese stocks was largely restored despite a net outflow of a little over $100m. Still, trading for foreigners in the full year (sales plus purchases) rose to an unprecedented $6bn., or nearly three times the volume transacted two years earlier, and rising faster than overall stock trading in Japan during the period (up about 50 per cent.).

Foreign interest stayed high through most of the first quarter of 1977, with purchases and sales of shares balanced at around $1bn. each. But since then, as one foreign investor says, "we've had to take it on the chin." A combination of factors since February have made investing in Japanese shares (a) less attractive to U.S. and European managers, and (b) less profitable in Yen terms for foreign investors already in Japanese stocks.

The rise and fall of foreign interest in Japanese shares, however, does not seem to have deterred portfolio managers from buying up coupons on the Tokyo bond market in the last two years. One obvious reason for the popularity of bonds was the relatively high interest rates engineered by the Ministry of Finance through an official discount rate which went unchanged from October 1975 until March 19.

The rates induced a steady rise in foreign investment in medium and long-term coupons which amounted to net purchases of $283m. in 1974, then $924m. in 1975 and climbed to $1.6bn. last year.

Through March, moreover, foreigners were buying much more than they sold on the bond market and trading reached over $1.4bn. in the first quarter, a 63 per cent. increase on the same three months in 1976.

But in March, the government began to drive down interest rates, and by May net selling by foreigners appeared on the market (although some dealers put this down to a seasonal decline in that month).

Thus, foreign portfolio managers are now beating a retreat on both fronts, although profits expressed in dollars on coupons have largely exceeded those on shares (and foreigners divide their portfolio about equally between the two markets.)

The outlook for the rest of 1977 is so-so. Says one optimistic fund manager, "The upside target for the Tokyo Stock Exchange is 5,500, which means a 10 per cent. overall potential after the market stayed flat in the first half." But other dealers are inclined to disagree, and say that Tokyo will do well if the Index grows by half by next December. They insist, moreover, that most of the favourite stocks with foreign investors are overly priced in mid-1977, and point to the average price-to-earnings ratio of over 20 times in May which make most Japanese shares look a bad buy if foreign investors must switch funds into Yen at the present rate.

The Yen's course will, in fact, be a decisive factor in determining foreign interest in Japanese stocks and bonds, and there is little prospect of a major new infusion of foreign funds until the Yen weakens (although Arab investors are reportedly underpinning overseas buying just now). More immediately, the Yen at 265 or stronger to the dollar is seen by European and U.S. portfolio managers in Tokyo as a strong incentive for Japanese investors to put their spare cash into overseas markets. Recently, the Ministry of Finance liberalised exchange regulations on Japanese investment in other Asian stock exchanges, notably Hong Kong and Singapore, so foreign fund managers see a potentially huge market in Japan for overseas equities.

D.R.

The Dusseldorf community

THE JAPANESE business community in Düsseldorf—the largest in any European city—is more than a little tired of being the butt of European media. *Le Péril Jaun à Düsseldorf*, as one French magazine has chosen to describe the phenomenon, is in fact a sober affair. German TV coverage of the community, which has dwelt on its ghetto-like aspects, has equally disturbed the Japanese on the spot. "Not all of us speak German fluently, it is true," commented a trade official there, "but we don't expect German visitors in Japan to wrestle very adequately with our language either."

The presence of the Japanese is most apparent along the Königsallee, where visitors from Tokyo do their shopping, buying lighters and other *omiyage* (presents for home). There is a mass of shops sprinkled with Japanese language signs only, as along the Avenue de l'Opéra in Paris. And the other peak concentration is in Immermanstrasse, when the Nipponkan, the local business community's leading restaurant, is situated, together with the banks and trading company offices.

Yet, taking the city as a whole, the Japanese are scarcely dominant. In all, there are some 1,000 businessmen from Japan plus another 2,000 or 3,000 wives and children. This is more than in London, which has about 100 Japanese companies as against something like 180 in Düsseldorf, and is therefore more than in any other European city. But in a city the size of Düsseldorf the Japanese element is ultimately rather tiny.

Why therefore do the Japanese attract attention? It is probably not — pace cracks about *le péril jaune* — because the Japanese are orientals. What strikes the local inhabitants rather is the homogeneity of the Japanese, who have set up what was for some years the only major Japanese school in Europe (Paris and London acquired their Japanese schools only in the past couple of years).

Established in the early 1970s the Japanese school in Düsseldorf has over 500 children of local businessmen, together with the offspring of outlying communities in Frankfurt, Hamburg and Munich. And this school serves as a conspicuous unifying element for Japanese in Germany. Unlike American schools in Europe, after all, its children are 100 per cent. nationals.

Not only do the Japanese have their own school. They also tend to stick very much together in the evenings and at week-ends. Feasts at the *Nipponkan*, where prices range upwards from DM100 a head at business banquets, are sometimes attended by German conferences. But for the most part the Japanese keep pretty much to themselves, not least because there is a language problem.

Ghetto

"And so you would classify this as a ghetto?" asked a Japanese trading company official. "Well, you may label our community in this way if you like, provided always that you do not have any objection to us making similar remarks about the Western businessmen in Tokyo, crowding together at the Foreign Press Club and other places, not always to make nice remarks about their host country."

Talk of ghettoes is in fact a little old hat. The Japanese business community in Düsseldorf is one of the most longstanding in post-war Europe, and the Japanese would never have done the amount of business recorded in West Germany to date if they had chosen to limit their contacts with Germans to merely cold office hour engagements.

What distinguishes the Japanese in Düsseldorf from those elsewhere in Europe is the narrow but minutely focused nature of their work. By and large they started in Düsseldorf rather than anywhere else because they wanted to buy steel technology and also machinery; this remains the principal reason for the Japanese presence in the city."

Thus, all the major Japanese steel companies are [illegible]. These include not only the big companies like Shin Nippon Steel, Kawasaki Steel, Koke Steel, Nippon Koban and others but also a number of more specialised firms: Hitachi Metal, Nisshin Steel and Japan Steelworks. By contrast, only Shin Nippon Steel has a London office among the major Japanese steel firms.

The steel companies are usually accompanied overseas, wherever they establish themselves, by the trading companies which handle the overwhelming bulk of Japanese steel exports. Thus, the largest firms in Düsseldorf, in terms of Japanese staff on the spot, are Mitsui and Co. (40 staff), Mitsubishi Corp. (25) and Marubeni Corp. (20).

The traders and steelmen, meanwhile, have gradually shifted the focus of their work. In the old days—in the 1960s—they came to Germany because they had concluded that the best European steel and machinery technology was to be found in the Federal Republic. Today the Japanese have much less to learn from the Germans and the exchange of knowhow is about equally balanced. "What they are really doing is trying to sell knowhow" according to one executive, "while at the same time they are looking for information, for example advance warning of major steel orders for big projects in the Middle East."

The balance of trade has shifted in Japan's favour, and big traders like Mitsui, whose turnover is concentrated in steel, chemicals and machinery, remain discreet on the subject of their turnover. The Japanese in Düsseldorf, as elswhere in the Community, are hypersensitive to suggestions that they are flooding European markets "aggressively."

The immediate and more visible point, however, is that the business companies, notably the trading houses, are at the pinnacle of the local Japanese community (whereas the banks are the big boys in London). Thus the Japanese school in Düsseldorf is under the tutelage of Sentaro Suzuki, the top Mitsui man in the city, whose firm helped to raise from the local Japanese companies half the money needed to buy land and establish the school six years ago. The other half came from the Japanese Government.

Not that the Japanese business community, for all its size, is quite as high-powered as that in London. Not only are the bankers concentrated in the U.K., where the Bank of Tokyo, the leading foreign exchange bank, has almost three times as many staff as in Düsseldorf. The trading firms in Germany tend to be controlled from London, where Mitsui Europe presides over long-term strategy in this part of the world.

Rationale

Nor is Düsseldorf continuing to expand much. In a way there is only one reason for the Japanese to remain here: they are already established. The original rationale — the presence of the Ruhr steel industry and the big local engineering companies — is somewhat weaker now that the Japanese have obtained the reputation of the world's most efficient steel-makers, and the inward flood of technology from the west has largely come to a halt.

London has much more to offer in the longer run. It is "a more sophisticated city" as one official at the Japan External Trade Or[ganisation] (JETRO) put it. The presence of shipping, and insura[nce] and the commodity [markets], notably the LME, mak[es London] a less attractive d[estination] for ambitious Japane[se execu]tives.

Düsseldorf is not a [ghetto] at all but it no longe[r has] strong attractions to businessmen that it po[ssessed in] the 1960s. "We fe[el] sorry for someone w[ho is] posted there now," c[omments] the wife of a Japane[se] in Brussels, noting friends only went th[ere for] some shopping for rice at the Nipponkan.

Quasi-racist Europ[ean] comment about the presence in Düsseldor[f is] finally a rather dated. The biggest Japanese community in Europ[e] implanted there but years it would be su[rpassed by] London had not beco[me] established as "Num[ber One]." And what counts t[he] mately is language, t[he ability] to communicate with Gaijin (foreigners).

Inadequate aid effort

JAPAN HAS one of the most embarrassingly large balance of payments surpluses among the member countries of the OECD —and one of the most inadequate foreign aid programmes. The contrast is beginning to upset the Japanese themselves, judging by the strenuous efforts now being made to ensure that the figures for "official development assistance" (the Government portion of aid) look rather better for 1977 than they did for 1976 and previous years. At the back of such efforts is the Prime Minister, Mr. Fukuda, himself, a man who combines a seemingly far-sighted grasp of international affairs with an equally clear appreciation of the need to try to balance the budget. Mr. Fukuda's aid-boosting efforts are not going to work miracles. But they could possibly raise Japan's aid-giving standards to the OECD about five years from now.

Japan's "total flow" of resources to developing countries in calendar year 1976 came to $4.0bn., an increase of 38 per cent. on the previous year's level and the third highest figure in the OECD after the U.S. and West Germany. This sounds reasonable enough, but on closer inspection it appears that the increase in "total flows" was due entirely to a massive expansion of private export credits and investment, which went naturally with last year's big increase in Japanese foreign trade. Official Japanese aid, by contrast, actually fell moderately, in terms of value, and rather sharply as a percentage of the country's gross national product.

The total value of Government grants and loans, technical assistance and contributions to multilateral agencies (the items making up "overseas development assistance" under the OECD definition) was $1.1bn., or 3.7 per cent. less than in 1975. As a percentage of gross national product ODA dropped from 0.25 per cent. in 1974 and 0.23 per cent. in 1975 to a mere 0.20 per cent. in 1976. This compares with the average of 0.36 per cent. recorded by OECD aid-giving countries in 1975 and with the Pearson Committee's target of 0.7 per cent. for the ratio of ODA to GNP.

The main reason for the failure of the official programme to meet international standards is that the various aid giving agencies do not manage to spend the money appropriated for the purpose in the national budget. The amount appropriated for aid in the 1976 fiscal year (running from April 1, 1976, until March 31, 1977) was Y450bn. (about $1.5bn. at the average exchange rate for the year). If this money had all been spent the ratio of ODA to GNP would have been 0.266 per cent., instead of the 0.20 per cent. which was actually achieved (in the admittedly not quite comparable calendar year). Finding out why aid funds are not spent even when they are provided in the budget, and how more can be spent in future, has been a top priority of aid officials at the Foreign Ministry and in other related Government departments during the past few months.

The answer appears to be that aid funds do not get spent because the Japanese authorities have tended to insist on the use of funds (particularly bilateral Government loans) for projects of the kind that have simply not been materialising in the confused economic situation following the 1973 oil crisis. Projects to which Japanese funds have been committed have fallen by the wayside either because they turned out to cost a lot more than their planners originally estimated or because the governments of the countries concerned had run out of funds to cover local expenses. The result has been that the project "pipelines" at the Overseas Economic Co-operation Fund (the main Government agency directly handling soft loans to developing countries) have become longer and longer, but less and less money has emerged at the end.

Part of the solution to this situation, which was decided upon a month or so ago by a task force of various officials concerned with aid, is to shift the emphasis from project aid to "commodity aid"—that is, to giving money for the import of anything developing countries think they need with the exception of specifically banned items such as arms. Japan has already begun stepping up its commodity aid to India and Bangladesh and expects this to make a significant difference to the 1977 aid figures. It also plans to spend more money this year on financing of projects jointly with multilateral agencies such as the World Bank or the International Development Agency (IDA).

Another idea is to use Government aid funds jointly with those of private industry. So far there has been only one project in which ODA funds and private Japanese funds were used together (an oil refinery in Iran).

Officials say that this type of collaboration is attractive because private business gets things done more quickly because of its concern with profits.

Small

The second reason for Japanese aid being inadequate is that the aid budget itself is too small—in other words, even if all the money provided in the budget was spent every year Japan would still be doing poorly as a donor country. Some impression was made on this problem at the start of 1977 when the annual aid appropriation in the budget was stepped up by over 20 per cent. and the figure for the value of ODA appropriations was published for the first time—previously this figure had been "buried" among a series of detailed appropriations to individual Ministries and agencies. The Foreign Ministry estimates, however, that the budgetary and appropriation will need to rise by 20 per cent. every year for at least the next five years if Japanese aid is to reach OECD average levels. This is a target which may prove fairly hard to achieve.

One problem which stands in the way of continuing sharp increases in the aid appropriation is that Japan is struggling with a chronic budget deficit of enormous proportions. This year's main budget included a 30 per cent. borrowin[g] which could be furthe[r] by the introduction o[f] mentary budget lat[er] year. Another probl[em] strict "rule of thu[mb]" cedure under which try of Finance alloc[ates] to various Ministries. tates that each M[inistry] Government agency increase its spending year by more than a [per]centage amount ([...]) figures are confidenti[al] based on tradition). Th[e] Ministry, which is spender of aid fur[...] under a ceiling of [...] 20 per cent.

The problem of of expenditure cei[lings] circumvented in th[e] budget by the crea[tion of a] special new aid fund moting agricultur[e] sufficiency in countries) which wa[s] to the Finance account instead of th[e] Ministry of Foreig[n Affairs]. Similar devices coul[d] again in future, but obviously be better t[o] aid programme altog[ether] the Finance Ministry thumb formula.

Mr. Fukuda, who sees aid as playing a[n] in the future foreign Japan, would probab[ly] do this. Whether h[e is] able to convince the bureaucrats at the Ministry is another m[atter].

JAPAN AND EUROPE IX

The London presence

AFTER the Americans, the biggest single group of foreign banks represented in the City of London is the Japanese. A total of 23 Japanese banks have a *presence* in the City, mostly in the form of full branches. Some have been established for a long time, with the representation of Mitsubishi Bank, for example, going back originally to 1920 and of Mitsui to 1924, while others have arrived more recently; and they include, beside the leading commercial banks, several of the Japanese trust banks and long-term credit banks, which carry out rather different functions. Together, the Japanese banks in the U.K. had at the last count currency deposits of £14.6bn. in mid-June, equivalent to over 12 per cent. of the total held by U.K. banks.

Besides their direct representation in the City, moreover, a number of the Japanese banks have well established participations in consortium or joint venture operations, mainly designed as vehicles to gain access to the rapidly expanding London-based international Eurocurrency market operations. Mitsubishi Bank is among the six members of one of the most important London consortium groups, Orion, bringing it together in partnership with leading banks from Europe and North America.

Experience

Other Japanese banks have linked themselves with London-based merchant banking groups to help develop activities in the international markets and to gain experience. Relationships of this kind which have been set up in recent years include Fuji Bank's partnership in a financial services company with Kleinwort Benson, Mitsui Bank with Hambros, Sanwa with Baring Brothers, Sumitomo Bank with Crédit Suisse White Weld and Tokai Bank with Morgan Grenfell and Kyowa Bank.

The variety of activities of the Japanese banks was also extended with the establishment in London about the beginning of this decade of two purely Japanese consortium groups—a third was based in Paris. These bring together both banks and the important Japanese *securities* houses, themselves in *many* cases active in the City. Associated Japanese Bank (International) has as its shareholders Sanwa Bank, Mitsui Bank, Dai-ichi Kangyo Bank and Nomura Securities, while Japan International Bank brings together Fuji Bank, Mitsubishi Bank, Sumitomo Bank, Tokai Bank, and *three securities* houses, Daiwa, Nikko and Yamaichi. Both are involved in international banking, with particular emphasis on medium to longer term Eurocurrency loans; and both last year reported useful profit increases, with Associated up from £1.7m. to £3.1m. pre-tax and Japan International improving from £1.8m. to £3m.

The representation of the Japanese banks in London, therefore, is extensive and shows a considerable degree of variety, with some banks participating in several different ways. To a major extent, the developments of their activities are a reflection of the conscious and widespread efforts which they have been making to extend their international representation and experience. Essentially, the long-established foreign activities of the Japanese banks, including the branches in London, have been geared predominantly to Japanese business. They have been there to provide trade finance for the country's exporters, to service their needs abroad, including, where necessary, finance to establish foreign operations, and to support the associated foreign exchange operations which provide an important part of banking profits.

The Japanese banks have not until fairly recently, however, participated to a substantial degree in the development of the international capital markets based on the Eurodollar and other currency funds available in London and elsewhere, nor have they had the widespread representation and experience which gave the U.S. banks an important lead in developing worldwide banking activities. All the leading Japanese banks have commented on this situation recently.

In its last annual report, for example, Sumitomo Bank commented on the "internationalisation of the Japanese economy" and the need for the banks to help the country's enterprises in securing funds through overseas capital markets. Mitsubishi Bank drew attention to the development of its international activities, including the "major challenge" of underwriting business in the Eurobond market—carried out through its Brussels subsidiary.

Fuji Bank commented on the rapid international development of the Japanese banks in the past few years, and said that "most major financial institutions are now represented in principal financial centres." But in a refreshingly open statement Dai-Ichi Kangyo Bank, the country's biggest since the merger in 1971, also underlined the weaknesses of the situation. "The 1970s saw an all-round spurt in the internationalisation of Japanese banking operations," the bank said, "but the position is still unsatisfactory in comparison with American banking moves. It may be safely said that Japanese banks are lagging up to ten years behind the giant American banks, both in quantity and quality of inter*national operations*."

Besides providing a method of entry to the international banking markets, there can be little doubt that over the past few years the London outlets of the Japanese banks have fulfilled another important function as a training ground. The consciousness among the banks that they have lagged behind the *U.S. banks in their inter*national development reflects also an awareness that, while in the more traditional fields of banking they have maintained an adequate and profitable international service, they have perhaps been behind even their own compatriots in the industrial and commercial field in building up their activities in the more recently developed areas of international banking. The London offices, along with those elsewhere *in* Europe and the U.S. particularly, have seen a regular stream of young Japanese bankers being given the opportunity to gain experience and understanding of the new types of banking business.

This learning process is already being reflected in the approach of the Japanese banks towards their international development which some of their competitors felt in earlier periods was sometimes lacking in sophistication. One problem tended to be the inclination of the Japanese banks as a group to move all one way at the same time, partly as a result of the pressures at home, and their activity in London has been through a number of phases. At *one stage*, the Japanese banks came into the international markets as heavy lenders on medium to longer term; at another, they switched the other way and become borrowers. But perhaps the most significant change in recent years took place after the unrest which arose in mid-1974 in the international markets in the wake of the Herstatt collapse.

Adjusted

The activities of Japanese banks in the international inter-bank markets were one of the sufferers as the banking community adjusted its sights, and for a period they were paying a premium for funds in London. At about the same time, moreover, the development of their activities was inhibited by the *official* move by the Japanese authorities to stop the banks participating directly in medium- and long-term foreign currency loans, so that in order to service their clients, the banks had to rely on foreign subsidiaries and affiliates rather than branches.

Now, however, with a substantial body of experience to *call on*, the Japanese banks are able to undertake a steady and considered extension of their international activities. This will involve a continued expansion of their representation in the main financial centres. But London will remain a vital link because of the historic connections of the Japanese banks in the traditional areas of trade finance, and because the City is now one of the most important centres for the newest kinds of international banking. The next major change may result from the present indications that the Japanese authorities are willing to see a gradual internationalisation of the yen itself, a move which in the past they have consistently resisted.

With the Japanese currency beginning to circulate on a larger scale internationally—and being used, for example, as one of the denominations of currency bands offered to foreign official holders of sterling in the recent U.K. move to run down the sterling balances—the position of the Japanese banks could change again. One point on which they are expected to insist, as Tokyo develops as an international centre attractive to foreign banks, is that the Japanese banks should be permitted similar reciprocal facilities in other countries to open offices as they extend their representation.

Michael Blanden

Promoting the cultural image

"TRADE PROBLEMS between Japan and Europe can ultimately only be solved on a cultural level," says Mr. Oyamada, managing director of the Japan Foundation, which is Japan's five-year-old version of the British Council. That being the case one may wonder why Japan is apparently spending much less money on promoting cultural understanding between itself and the outside world than most other major industrial countries.

The Japan Foundation was established in October, 1972, on the initiative of Mr. Takeo Fukuda, now Japan's Prime Minister, but at that time Minister of Foreign Affairs. The foundation, which was consciously and directly modelled on the British Council, was originally meant to have an endowment of Y100bn. (£210m.) to be contributed jointly by the Government and by private enterprise. This, however, says *Mr. Oyamada has turned out to* be "just a dream."

The reality is that the Foundation's endowment was Y30bn. at the end of last year, at which point Mr. Fukuda assumed the premiership and used his influence to have another Y5bn. worth of funds included in the 1977 budget. The foundation hopes to get another Y15bn. in 1978, which would bring the Government portion of its endowment up to the originally targeted figure. This hope is based partly on Mr. Fukuda's continuing interest in overseas cultural promotion and partly on the fact that the Foundation's work involves spending dollars overseas—which Japan is only too anxious to do at present because of its embarrassing foreign exchange surplus.

The private portion of the Foundation's funding, has remained "fractional," Mr. Oyamada says, despite the original hope that the organisation would receive strong backing from business. One reason for this appears to be that Japanese companies have, by and large, preferred to run their own cultural programmes which can be tailored more closely to their business interests, besides, no doubt reflecting more credit on the sponsors than a contribution to an official organisation.

Companies which are active in the international cultural field include Toyota, whose three-year-old Toyota foundation will have an eventual endowment of Y10bn.; Matsushita, which makes individual donations to overseas "causes," including one of $500,000 for the establishment of television broadcasting in Indonesia. And major trading concerns such as Mitsubishi, Mitsui and Sumitomo. The cumulative value of these activities is probably a good deal larger than the official propagation of Japan's cultural ties with the outside world done by the Japan Foundation. But company programmes presumably tend to assist the image of the company concerned rather more than that of Japan.

Corners

The Japan Foundation's budget for 1977, at Y3.8bn., was one-sixth of the British Council's for the same year (according to yen-based figures in the Foundation's own annual report). Its nine overseas offices (several of which are still in reality merely corners of the Japanese Embassy in their respective countries) have to be compared to the 80 countries in which the British Council claims to operate.

All this makes the foundation's efforts to act as a cultural ambassador for Japan look almost pathetically small. But the situation is not quite as uneven as it appears. This is because Japan has another, and older organisation devoted to furthering international co-operation in the field of science which is one of the jobs for which the British Council is responsible. The Japan Society for the Promotion of Science was founded in 1967 and has an annual budget of Y2.1bn. It promotes the exchange of *scientific personnel between Japanese* and foreign universities—but does so, according to some observers with "rather more practical objectives" in mind than those which normally guide the British Council.

With not much money to spend and with a highly inaccessible national culture to promote, the Japan Foundation has had to think carefully about its priorities. These have tended, up to now to stress the U.S. and South East Asia as the main target areas for cultural promotion, with Europe coming a rather poor third (around 15-6 per cent. of total spending in recent years). The foundation stresses personal interchange, Japanese studies and exhibitions and other "events" as its three main types of operation, with the emphasis varying from area to area.

What it has not done, and apparently does not intend to do, is to get directly involved in the business of teaching the Japanese language overseas, as, for example, the alliance with French in South East Asia. The Foundation deliberately refrains from directly promoting study of the Japanese language because it does not want to revive memories of the "greater East Asia co-prosperity sphere" when the Japanese deliberately forced their culture on their Asian neighbours.

In Europe, where the same inhibitions do not apply, the Foundation apparently feels that it is simply not worth the effort and cost of propagating Japanese. It accordingly confines itself to providing help in the form of teachers or teaching materials to schools and other organisations which are already teaching Japanese in various parts of the world. Mr. Oyamada says that about 300,000 people outside Japan are studying Japanese at present, but around half of these are in Korea and most of the remainder are in Asia, Oceania and the Americas. Korea, Australia and New Zealand are the only countries which at present conduct regular Japanese courses at high school level.

The language gap, which the Japan Foundation evidently feels incapable of bridging, is one major reason why Japanese culture—and that means what the Japanese really think and feel about the problems of today's world—remains so inaccessible to the West. As of now English speakers cannot even bridge the gap by reading books because most of the writings of present day Japanese sociologists and economists have yet to be translated into English. Hardly surprising then—as Mr. Oyamada admits—that westerners continue to think of the Japanese as economic animals and not much else.

C.S.

JAPAN AND EUROPE X

Japanese companies have been cautious about setting up manufacturing facilities in Europe, but have still scored some notable successes. In Japan a seemingly haphazard group of European companies has managed to penetrate the market. On the next six pages we profile nine of each, looking at the way they have tackled the task and the problems they have faced.

Up-market electronics in Germany

TAKEOVERS are almost non-existent in Japan, but there have been a few cases outside Japan where Japanese investors have bought up an established venture in preference to building their own factory from scratch. A case in point is Wega Radio, the Stuttgart-based audio and TV manufacturer which was acquired by Sony in 1975. Wega had a Mercedes-Benz type image in the German audio industry up to 1973, rationing its sales and priding itself on an extremely high reputation for styling and design. After the oil crisis the company ran into trouble when an ambitious investment programme failed to pay off. It accordingly approached Sony, and after a shaky start (which included the departure of the previous owner and general manager rather more abruptly than Sony would have wished) things seem to be settling down well.

Wega's reputation for quality and reliability, which it seemed in danger of losing during the 1974 crisis, has been restored. The company is putting a stylish new colour TV set on the market this summer. Above all an extremely multi-national management team seems to be working together harmoniously, not to say enthusiastically. Wega's general manager, Mr. Schulmeyer is a German graduate of Harvard business school who was previously with Braun (home appliances) in Austria. The product manager for colour TV is an Englishman. The only Japanese executive, apart from special "staff" posts, is Mr. Hirochi Murai, who took over as production manager to "fill a gap" when the previous man left, but is shortly to be replaced by a German successor.

Quality

Mr. Murai says Wega was falling down on both quality and productivity when he took over the production manager's job 18 months ago. He tackled the quality problem first and claims to have succeeded to the point where the defect ratio on sets entering quality control from the production line is now around 40 per cent. (that is one defect in an average of four out of ten sets), compared with over 100 per cent. (more than one defect per set) when he started. Wega is still "having problems" with some of the parts delivered to it by German suppliers, Mr. Murai says, but checking procedures are picking up defects more quickly (Sony uses a checking procedure for incoming parts borrowed from the U.S. military). Within the plant, quality control has been elevated to a top management responsibility and has thus been improved from the time when no one above production manager level paid much attention to it.

As far as productivity is concerned, Mr. Murai says it is now at 90 per cent. of Japanese levels in the audio sector. Stepping it up further will depend partly on how successfully communications problems can be solved with Wega's overwhelmingly non-German work force. Around 80 per cent. of the female workforce and 60 per cent. of the total are *gastarbeiter* hailing from countries such as Italy, Spain, Greece, Turkey and Yugoslavia. The strong point about the Wega workforce, say the Sony managers, are the middle grade German staff trained in the *meister* (apprenticeship) system who combine the readiness to take the responsibilities of middle or lower Japanese management with a considerably stronger technical background.

Apart from overhauling quality and productivity and working in a new management team, Sony has been gradually working out ways by which Wega's operations can be integrated into Sony's worldwide operation. The key point here seems to be that Wega will continue to make Wega products, stressing the same distinctive design features as before (and using the same outstandingly good freelance designer), but putting in some Sony "guts" where this seems appropriate. Wega's colour TV production which is concentrated on large screen sizes, unlike that of Sony in Japan, will stay that way for the time being and will also continue to use the shadow mask process rather than the distinctive Sony trinitron tube—thus becoming the only non-trinitron colour TV production facility within the Sony empire.

Sony would be quick to deny that the retention of shadow mask technology represents any departure from Sony's policy of "going it alone" with the trinitron tube. But it is conceded that Sony's own production of trinitron tubes for very large screen sizes is still small and that production costs are high. The trinitron might be introduced at Wega if the German company decides to start making small screen sizes as well as big ones, but Sony is very reticent about its plans in this sector. The German market is currently oversupplied with big sets, whereas demand for small screen sizes is growing. However, the growth in small sets is from a very small base and Sony can supply the small screen market, if it wishes, either from Japan or (in part) from Bridgend, where it is concentrating on the 18 and 20 inch sizes.

Loose

Sony's general attitude to Wega seems to be to run the company on as loose a rein as possible—choosing the right kind of individuals to fill management posts and then letting them get on with the job. Mr. Schulmeyer said he was amazed when, at the end of his first formal session with Sony top management after taking over the company, he was asked: "What can we do to help you?". Such a question from an American board would have meant, he says, had utterly fallen dov job. But from Sony merely that it was u to ask for anything b Mr. Schulmeyer says Sony men working tend, and will tend, part of the Sony "far will therefore never point where they themselves completely German company.

The one point on w top management doe: that "team spirit" getherness" should b by the Wega manager Akio Morita expects exactly what works other social activities organised by the m when he pays one periodic visits to an plant. The Wega mar a distinctly German this question. The bi the Wega social cale year was a profess formance of Bach's mass on the shop fl colour TV plant.

Making TVs in Cardiff

THIRTY MINUTES' DRIVE from Sony's Bridgend factory, in a brand-new building just outside Cardiff, is Britain's second Japanese-owned colour TV factory, Matsushita U.K. Ltd.

Ahead of Sony in moving into developing countries but behind it in starting TV production in Europe and the U.S., Matsushita decided to set up in Britain in 1973 and actually started production only in March of this year. Mr. Nagayama, who spent two years finding a site, getting the factory built and negotiating with parts suppliers, says output is now around 3,000 sets per month but is likely to double by the end of the year. The company could make 10,000 sets a month on its existing floor-space and has enough room on the Cardiff site to quadruple floor space if it wishes.

Unlike Sony, which is making middle-sized sets (18- and 20-inch) at Bridgend, Matsushita is making both the middle and upper range of screen sizes from 20 inches upwards. The point of this, explains Mr. Nagayama, is that the patent for the use of the PAL broadcasting system stipulates that the larger screen sizes (22 inch and above) must be manufactured within the EEC and not imported. Another difference between the Matsushita operation and the Sony one is that Matsushita plans to use Mullard tubes for at least one of its models (probably the 22 inch). This should enable it to push the ratio of locally procured parts to 70 per cent. of the value of the completed set—a substantially higher figure than the original target.

Maximise

When Matsushita started talks with the Department of Industry about its Cardiff project it was asked to keep four conditions in mind. One was to maximise the use of local parts. The second was to use as many British staff as possible. The third was to export a "substantial" part of the Cardiff factory's output to other EEC markets and the fourth was to ensure that production in Wales was at least to some extent a substitute for imports. The 20-inch set which Matsushita is making at Cardiff fulfills the import substitution condition since this could have been imported from Japan under the PAL patent agreement. As to local staff, Matsushita says it hopes eventually to reduce expatriate strength to five.

The volume of exports will depend on how successful the Cardiff factory is in bringing productivity and quality up to Japanese standards but is not likely to exceed 50 per cent. The reason for this is that the PAL agreement contains another clause which says that non-European users of the system must sell at least one half of the output of any PAL production facility on the domestic market of the country where the facility is established.

Matsushita, arriving in the U.K. a year or two later than Sony has tried to differentiate its sources of "major" components (like cabinets) from those of its rival. For smaller and more mass produced parts such as capacitors it has tended to go to the same suppliers as Sony because it had very little choice. However, Matsushita prides itself on what it claims is a distinctive procedure for parts inspection. It checks every single component from transistors upwards that it receives from a British supplier, not merely a percentage of incoming components. Faults are reported on a standard work-sheet which is then returned to the maker with the offending part. What Matsushita's U.K. suppliers think of this procedure is not recorded but Mr. Nagayama says that, because of it, the company usually knows exactly where to look if a fault crops up in the production process.

Assembly

Mr. Nagayama says he met a representative of the General Municipal Workers Union "by chance" soon after his arrival in the U.K. and agreed (with TUC approval) to make GMWU the sole union at the Cardiff plant. Matsushita employees, almost all of whom were getting their first job when they were recruited last January, are required to join GM condition of employ with Sony there hav labour problems w tioning to date and ness" between manag labour is stressed he

Mr. Nagayama has card signed by every in the factory on his He personally present or wedding presen Matsushita employ addresses the comb force once a week at assembly. U.K. man duct the assembly mornings and invite or comments from most of whom, ho said to have been reticent up to now. Cardiff has a rugby t recently beat the Panasonic Sales (the U.K. sales company)

Mr. Nagayama, w Matsushita plant in as his last job, says be happy to live in area "for ever"—part it has so many gol His main worry at that controversy proposed entry of Japanese TV ma (Hitachi) into the make the climate two manufactur friendly than ha to now.

Pioneering plant

PIONEER, JAPAN'S top hi-fi manufacturer, went to Belgium for two reasons. One was to get as close as possible to the European market so as to understand what people really wanted and improve product planning. The second was to by-pass import controls. Mr. Y. Tanaka, manager of the nine-months old Pioneer plant outside Brussels, says imports of Japanese hi-fi equipment are now subject to import licensing in France, to voluntary restraint in Benelux and to direct restrictions in Italy and Spain (the U.K. is open "so far," he adds).

Pioneer's Belgian products have slightly more than the minimum 45 per cent. local content which procures EEC certificates of origin for them. But they are costly to produce and the factory may take another year to make a profit. Belgian labour costs, says Mr. Tanaka are 50 to 70 per cent. higher than Japanese costs (double if you include all social security payments). The delivered cost of the Belgian factory's products to Pioneer's Antwerp sales company is substantially higher than the cost of the same goods shipped from Japan and so far the Belgian factory accounts for a mere 5 per cent. of Pioneer's total European sales.

This will change with time, but only gradually. Costs will be brought down in part by the redesign of equipment to permit the use of standard European parts instead of made-to-order Japanese parts bought from European suppliers. The redesigned sets will still look the same outside but the "guts" will be European.

Although Pioneer is clearly facing cost problems at the Brussels plant Mr. Tanaka seems to feel that it was right to locate the factory in Belgium. The company got a tremendous response when it first advertised for labour with a ratio of something like ten applications for every job on offer. The quality of Belgian labour seems to be extremely high, Mr. Tanaka says; indeed productivity at the Brussels plant, which was originally programmed to rise at about the same speed as in Pioneer's Korean factory, has actually moved up must faster.

Absentee

Belgians are also better at showing up for work then even Pioneer's Japanese labour force. The average absentee rate so far has been about 5 per cent. But the six-man speaker production line at the Brussels plant recorded a zero absentee rate over eight months — something that would have been "very hard to believe" in Japan, Mr. Tanaka says.

Pioneer is frank enough to say that it believes Flemish labour in Belgium to be far superior to French-speaking Walloon labour, which is one reason why the company chose the outskirts of Brussels for its investment in preference to Liege where the incentives being offered by local authorities were somewhat greater.

Labour representation at the Brussels plant as at other Japanese factories in Belgium is dual with one Socialist and one Catholic union. This is an unfamiliar situation for Japanese managers who are used to dealing with a single "company union" but so far it seems to have caused no problems. The two union leaders conduct negotiations jointly. "If one turns up before the other he waits outside the door of my office," Mr Tanaka says.

Pioneer is running its Brussels plant with a Japanese staff of five (one general manager, four engineers and one accountant). Everyone else is Belgian except for the president who is an American, based in California. The way this somewhat unexpected arrangement works is that the Brussels-based executives are responsible on management matters to the US-based president but on other matters (supply of materials, etc.) to head office in Japan. The U.S. executive who is president of the Brussels operation was also responsible for deciding to locate the factory in Belgium—this task having been delegated to him by Pioneer's Japanese board. It is all part of an attempt at multinationalisation which is at least as determined, in Pioneer's case, as the rather similar efforts being made by Sony.

"There is no reason why we should say we are Japanese—we are international" is the way Mr. Tanaka sums up Pioneer's attitude.

C.S.

A Philips/Matsushita tie-up

...atsushita Battery at Tessenderlo in ...f Flemish-speaking ...he second child of ...gical marriage con... ...een Japan's and ...gest consumer elec... ...anies in 1951. The Matsushita Elec... ...oration, was set up ...apan and combines ...nology with Matsu... ...ement to produce ...mponents for the ...rket.

...tablished in 1970, ...osite. The company ...ilips management ...tsushita technology ... batteries for the ... Control is equally ...een the Japanese partners and the ...ces batteries under names which are ...out Europe through Philips and Matsu... ...ibution channels. ... one of the giants ...opean battery in... claims a market ...er cent. compared ...ent. for Ever Ready market leader). ...put is claimed to by around 25 per in a market where ...an sales are static ...oing very slowly.

... reasons why PMBC ...atively well in a industry is that it automated produc... ...ich gives it a rate ...er person rather higher than most of the competition. Mr. Deweerdt, the Philips executive who is in charge at Tessenderlo, claims that the PMBC's production rate of 600 batteries per minute on each of its lines is, in fact, about double that for most other European manufacturers.

Almost all the machinery at Tessenderlo was designed and built by Matsushita which started making batteries in 1931 and now claims a considerable reservoir of expertise on the subject. Philips had no involvement in dry batteries until it teamed up with Matsushita at Tessenderlo and is still not making them anywhere else in the world. However it goes without saying that the factory would be doing less well than it is, if it relied only on the Matsushita brand image in Europe instead of both the Philips and Matsushita names. Something like 70 per cent. of Tessenderlo's output goes out under a Philips label (although the proportion obviously varies quite a bit from country to country). This explains why Matsushita men claim that the Philips-Matsushita tie-up (in Japan as well as in Belgium) is a demonstration of "synergy"—that is, of the principle that if you add one to one the result is sometimes more than two.

Because its partner is Philips and because it felt grateful for the way Philips had assisted it in Japan since 1951 Matsushita originally intended to put its joint venture investment in Holland. When it came to look at the economics of the project in the late 1960s, however, it realised that labour was too scarce in the Netherlands to make a Dutch investment attractive. The Belgian Government, meanwhile, was offering some very generous tax and interest rate incentives for investments in areas where coal mining was being phased out and Flemish labour had a reputation for steadiness. Philips-Matsushita was the first company to set up in the Tessenderlo industrial estate (which now has a formidable array of well known multinational names including a number of Americans). Tessenderlo is, in fact, only 60 kilometres from the Philips headquarters at Eindhoven just over the Dutch border.

Management

Philips Matsushita is run on Philips management principles, not on Matsushita ones, which means that there is no daily assembly at the plant, no standard uniform for both workers and management and generally rather less emphasis on "togetherness" than one might expect to find in a Japanese factory. Matsushita's only representative at PMBC is a technical consultant who is careful to let the Dutch management do things its own way. The Philips approach, however, is evidently not as different from the Japanese way of doing things as that of some more traditionally minded European companies.

Although managers do keep their distance somewhat more than they would if they were Japanese, there is no separate executive dining room at PMBC and everyone has to find a space in the company car park as best he can. There have been no strikes so far and absenteeism is low (about 5 per cent. for male workers).

PMBC's aim in life is a "long-term increase in market share" within the EEC—an ambition which presumably has to be regarded seriously given that Matsushita controls 55 per cent. of the dry battery market in Japan. Increased market share will be sought by improving the quality of the batteries themselves (for which there is claimed to be scope despite the fact that the basic (French) technology is now over 100 years old). At some stage PMBC may consider moving on from Le Clauchet zinc and manganese dioxide batteries to lithium or some other more advanced type, but to do this would require a renegotiation of the contract between Philips and Matsushita which only provides for technological collaboration on the Le Clauchet type. The move into lithium, if and when it comes, would mean a new, and potentially more serious challenge for other European battery makers.

C.S.

Motorbikes for the EEC

... in the town of ...far from Brussels ... the only vehicle ...g plant of any established by a company in a ...untry. Honda SA ...facturer not an ...nd the product it ... that Honda does home. It is the ...ed, a motor-plus ...ted scooter that ... to develop four ...or the European ...hich it is now also of exporting from ...he U.S.

...nino represents ...enge to European ...e the French made by Motor- and light Italian as Vespa. Honda per cent. of the ...ed market at pre... ...ot aiming higher cent. Evidently competitors dis... ...empt to adopt a ...s well they might ... dominant share ...ional motor cycle ...oped) market.

...e Camino is a ...he Aalst factory ...ack to 1963 when ...cided that an on... ...nce was needed European moped ...da made 25,000 ...irst year at Aalst ...y is 120,000). It ...th a four-stroke engine but later decided to substitute a two-stroke engine since this was what European dealers and servicing engineers seemed to be accustomed to. Investment in the original plant was B.Frs.71m., a figure which had been raised to B.Frs.103m. after 13 years of operating.

Mr. Kido, Honda's manager in Aalst, says the basic reason for setting up in Europe was not getting round import barriers but being close enough to the market to be able to respond to the shifting pattern of demand in different countries. Safety and homologation requirements differ in nearly all the markets Honda is serving from Aalst and consumer tastes are liable to vary as well. These continuous adjustments in the production schedule are needed to make sure that output matches demand.

Communications

Having the plant in Belgium means that communications are about as good as they could be anywhere within the EEC. But there is a price to pay—the fact that Belgium labour is the dearest in the Community (equal with that of West Germany and the Netherlands). Mr. Kido estimates that Honda is paying its Aalst workers about double what Japanese investors in Wales are paying. The ex-factory cost of production at Aalst is higher than it would be in Japan but Honda estimates that the delivered cost of a Japanese-made Camino in Belgium (including freight import duties etc.) would be 2 to 3 per cent. higher than the Aalst production cost.

The Camino is an all-European product so far as its frame is concerned, with the parts coming mainly from Belgium (32 per cent.), Germany, France and Holland. The engine, which accounts for 30 per cent. of the value of the finished product, is still being shipped from Japan because production at Aalst is not yet high enough to make local manufacture economic. the floor level for local manufacture of engines would be around 15,000 units per month, substantially but not inconceivably more than the current production level of Caminos.

Apart from conceding the possibility of making engines at some future date in Aalst, Honda says there is a definite prospect that it may set up a E... car manufacturing ... some time in the future. ...s, however, would not be at Aalst where there is not nearly enough such space for such a venture and perhaps not even in Belgium. Honda previously ruled out the U.K. as a possible site for a car plant on the grounds that its labour relations were chaotic, but some people in the company seem ready to reconsider their earlier dismissal of Britain.

Honda SA has had no labour troubles for the past six years (when there was a strike over a wage claim). Mr. Kido says that the plant's Flemish workers seem "very devoted" to their task and rates productivity at something very close to Japanese levels. A suggestion scheme which was launched at Aalst was "not very successful" but ideas have come from the factory floor through various channels including after-work meetings of the different production sections. One of these produced a new approach to the automation of wheel assembly which is now in use at Aalst.

Family

Honda SA is a Belgian-managed plant, except for its general manager and sales manager. The plant however is very much part of the Honda "family" in Europe. A row of rather impressive looking silver cups in Mr. Kido's office includes not only some local golf trophies but also the runner-up's cup in the Honda European football league (played between the company's four subsidiaries in the EEC). Honda's general approach to its Belgian operation is to try to create an "atmosphere where people can feel pride" and to recognise that "we must move step by step—we can't explode here the way we did in Japan."

C.S.

Sony provides local colour

...Bridgend as the ... Japanese televi... ...Europe because ... be in Britain ...ggest European ...ated), because ...was cheap and ...cause there was ...ing for sale on ...ndustrial Estate ...ited its require... ...ars after the site three years after ...ts came off the there is every the choice was

... running at a ... 7,000 sets per ...vity in the main though not yet ...ing and circuit ...nts) is up to

Labour rela... judging by the strikes to date ... rate which is ...he average for region. It all ...irly remarkable a management ...r force which ... people (other ...e management) ...perience of the ... only about 40 ...trength of 520) experience in ...f electronics. ...ately avoided ...ands" from the U.K. television industry when recruiting its Bridgend workforce, apparently because it felt that men who had grown used to the British way of doing things would be unable to adapt to the very different (and generally more flexible) Japanese approach. One of the top British managers at Bridgend was recruited from the textile industry while another came from a non electrical machinery maker. The result has been that a lot of training has been needed at all levels but that, at least, everyone is trying to do things the same way.

Positions

Sony has put Japanese executives into two out of the three top management positions and has divided departmental management posts almost 50-50 between Japanese and U.K. staff. The plan now is to increase the U.K. element steadily as experience is gained, ultimately arriving at the point where Bridgend will operate under a British general manager. The managers at Bridgend arrive in the office at 7.30 a.m. and spend an hour on the factory floor before their own eight-and-a-half hour working schedule day in the office begins.

As at other Japanese factories there is no separate dining room or car park for executives and the same grey or blue working tunics are worn by everyone. Japanese managers are called "Mr. ..." during working hours by shop floor workers but are often addressed by first names (sometimes adopted English ones) at the social events Sony makes a habit of sponsoring. Formally, labour relations at Bridgend are based on a single union system which Sony took care to clear with the TUC before it opened the plant. The company negotiates with the AUEW and with no other union, but individual workers are free to be members of other unions if they wish. Wages are based on a rate for the job, not on the Japanese system of payment by seniority.

The point Sony itself likes to stress most about the Bridgend operation is quality control. About one-third of the labour force is in the checking inspection divisions, which include not just extensive and elaborate final testing procedures, but numerous intermediate checks on the circuit-board production line and elsewhere. Sony has applied its rigorous standards to its U.K. parts suppliers as well as to itself. "Before we started here we explained to parts makers the quality concept rules they must accept to be classified as Sony suppliers," says one of the U.K. managers at Bridgend.

Some companies said Sony was demanding absurdly high standards but the majority evidently felt the effort was worth making. The British company which supplies cabinets for the Bridgend plant now has its own "Sony production line," and the infectious "Sony spirit" is said to be spreading to the girls who work on it. Altogether the Bridend plant has about 40 U.K. suppliers who provide parts constituting roughly 50 per cent. of the value of the finished TV sets. The main imported component is the Trinitron Tube, unique to Sony and therefore unavailable to British industry.

The Bridgend factory is providing about 30 per cent. of total Sony sales in Britain besides exporting some 20 per cent. of its output to other markets in Europe. The factory makes two sizes of colour TV sets (18 inch and 20 inch) leaving the smaller sizes to be supplied by Sony plants in Japan. Sony is reticent about its future plans for Bridgend. If it intends to step up production or expand the range of products it is certainly not going to let its competitors know before it has to.

C.S.

Amino acids near Amiens

THE FRENCH authorities have made continuous efforts to attract foreign capital, but so far Japanese direct investments here have remained rare. You have to go to Amiens to find an exception.

The industrial estate just north of Amiens—the cathedral is dimly visible in the distance on a hazy summer day—has attracted numerous foreign companies. Arriving by car from Amiens you pass a Honeywell Bull plant, a Procter and Gamble factory and turn left to Eurolysine, which is a 50-50 joint venture between Ajinomoto of Japan and the Belgian interests of Baron Coppée.

This plant "proves" that co-operation between European and Japanese capital on French soil can be a success. The company, which makes lysine, an essential amino acid which is added to cattle-feed and raises protein absorption by animals, is making "large" profits.

Having started operations in August last year this £16.5m. plant will this year turn out £12m. worth of lysine and by-products including fertiliser. The latter is sold to local farmers who come to the plant in their lorries to collect it, to sprinkle on the same Picardy beet fields which supply Eurolysine with its raw materials: beet molasses, obtained from beet sugar.

The molasses are fermented with a bacteria strain supplied by Ajinomoto, which has licensed Eurolysine to use its exclusively Japanese technology. "Japan has more than 1,000 years experience in fermenting processes, to make *miso* (bean-curd soup), *soy sauce* and so on," according to Masao Horiuchi, Ajinomoto's only man on the spot. His task is to supervise use of the various "strains" in this fermentation. *These have been brought from* Japan.

Lysine is obtained direct from the beet molasses in a single step. Thereafter, all that has to be done is to separate off the by-products, purify the lysine, concentrate and crystallise it out. Technology for the by-products has been provided by the Belgian side. The lysine itself is a white powder which is shipped in stout paper sacks.

Commercial

The joint venture has been a success in more than a purely commercial sense. It has received the encouragement of "subsidies" and "low-interest loans" according to Kyosuke Yamamoto, Eurolysine's general manager in Paris. This warm official reception stems from Eurolysine's ability to export over 80 per cent. of production.

In addition, the company, which employs only three Japanese altogether in a payroll of over 170 mainly technical staff, bought almost all of its machinery in France. "None of this came from Japan" said Mr. Horiuchi, pointing to the extensive boilers, cooling-towers and purification machinery in the place.

Management is almost entirely in the hands of the European partner. "Not all French management is good," Mr. Yamamoto observed, but in this case "it has been OK." The Japanese side is pleased with results so far.

Sound planning has gone a long way towards guaranteeing this success. The venture was originally thought up by the Coppée interests, which approached—at the same time as numerous other European companies, all hoping to jump on the bandwagon—the only *two Japanese companies with* the technology: Ajinomoto and Kyowo Hakko.

The decision to go ahead was taken in 1973 after extensive negotiations with possible European partners. The company itself was set up in 1974 with a capital of Frs.70m. And Amiens was chosen as the plant site because demand for lysine is sprinkled all over Europe, and it was best to supply these scattered markets from a median point.

Amiens had the additional advantage of being close to the sugar beet fields—orginally planted on Napoleon's orders in order to substitute domestic sugar supplies for cane sugar, which could no longer be shipped across seas controlled by the British Navy. Picardy is a centre of French beet production.

With the right timing, Japanese technology and French management the company will have a good result this year, and yet the Japanese have misgivings. By Japanese standards the Amiens plant is grossly overmanned; a similar scale plant in Japan under Ajinomoto management has 50 fewer men at work.

Holidays

The Japanese are also vexed by the insistence of the French labour force on taking holidays. The plant is closing for an entire month this summer despite the boom in demand. Had this been in Japan the factory would have been kept going on New Year's Day—the one day in the year when every self-respecting *Japanese takes a rest.*

And then there are the "attitudes" of the French workers. The Japanese, althou
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Teething troubles in Co. May

THE NEW Asahi synthetic fibre plant in Killala, Co. Mayo, is the jewel in the crown of the Industrial Development Authority — the State agency which seeks to attract foreign industry to Ireland. Built at a cost of £50m., the Killala factory is not only far and away the biggest single Japanese investment in Ireland, it is also one of the largest plants ever to be built in the country.

The decision to site the plant in Ireland more than doubled Japanese investment in the country, which now stands at over £80m. But the IDA hopes it will be only the start of Japanese investment on a much greater scale.

Even for a company as large as Asahi, the Killala plant is of considerable significance. It is bigger than anything the company has built before, even in Japan, but, more important perhaps, it represents an opportunity to break into the EEC market: a market which the industrialised member states would dearly like to protect from Japanese competition.

In turn, the success of the Asahi development could persuade other firms, with even more sophisticated products, that Ireland not only offers attractive conditions for overseas investment but is a back door to Europe as well.

Little surprise, then, if there are worried faces, both in Mayo and Dublin, over the fact that the plant's first consignment of liquid chemicals for the manufacturing process has so far been unable to get into the country because of an inter-union dispute which remains unresolved to date.

It is a neat, if unfortunate reminder that, although Ireland offers many attractions for the would-be investor, there are some pitfalls. Asahi has certainly had the advantages: new industry grants of almost £3.5m. have been paid since 1975, training grants will follow and the IDA has taken 10 per cent. of the ordinary share capital.

Exports

Even more attractive is the fact that profits from exports—in this case virtually all the production—will be free of tax until 1990 and, in any case, a double taxation treaty allows company profits to be repatriated free of tax in both Ireland and Japan. And, of course, the company gets the physical advantages of non-industrial Ireland. Five million gallons of clean water a day will come from Lough Conn—famous for its brown trout—land is abundant and cheap, and there is no shortage of Mayo workers glad of the chance to escape emigration or the dole queues.

Asahi's troubles so far have stemmed from its decision to sign a closed shop agreement with the Irish Transport and General Workers Union. In the long run this could prove a shrewd move. It will simplify the problems in employing the largely non-unionised labour force in the west of Ireland and it is hoped avoid the proliferation of unions which troubles some longer-established Irish firms.

But it has caused short-term difficulties. During construction there were problems with craft unions whose members were involved in building the plant. The latest row concerns Asahi's unloading facilities for chemicals at Dublin docks. The company planned to recruit men from the unemployment register to work at the unloading bay, and they, too, would have been recruited by the ITGWU. But the Dublin dockers say the work should go to them and have so far succeeded in blacking the ship carrying the chemicals, which, when last heard of, had sailed to Britain.

It is an illustration, not only of the need to walk warily through the labour union jungle, but also of the different attitudes Asahi has met in the two Irelands—the depressed west and the more prosperous, more industrialised east. For the west, the news of the Asahi development seemed almost too good to be true. A factory which will employ more than 1,000 will have dramatic effects in an area where for years the main business has been exporting cattle and people.

As a result, everything was made easy for the Japanese newcomer. Planning approvals were rushed through, businessmen busied themselves laying on services, the local Press enthused and those who worried about Lough Conn's brown trout, or pollution of Killala bay, were dismissed as cranks.

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By a Corres

A fair start for NSK

NIPPON SEIKO KK (otherwise known as NSK Bearings) looked at every country in Western Europe, either on paper or on the ground, before deciding in the winter of 1973 to set up its £8m. bearings factory at Peterlee in the old Durham coalfield area. Britain was chosen because it combined reasonable support industries with cheap labour, attractive investment incentives and a fair sized domestic market for the types of bearing NSK wanted to make. Whether it was the ideal choice or not is a question NSK will not be able to answer until it has had a bit more experience of conditions at Peterlee.

The factory has been operating for 16 months and had reached a production level of 1m. bearings a month early this summer. Durham labour is intelligent, says Mr. Kiyeda, one of the resident NSK managers. But most industry in the area until recently has stressed manual rather than automated skills (a typical example is shipbuilding) so it has not been particularly easy to find people who adapted naturally to NSK's very highly automated production system.

There have also been problems of labour turnover during NSK's first year. About 20 per cent. of the workforce had to be replaced during the first year largely because older workers found it hard to adapt to automation and partly because, as NSK puts it, "People seem to be willing to switch jobs here for a new differential of £2 to £3 a month."

NSK says it takes about six months to provide the "minimum training" needed for work on its production line and may take three to four years to impart "Japanese Standards" of skill. It is not sure whether Durham workers are going to have the patience to stay with the company long enough for the investment implied by these periods of training to pay off. As of now productivity at Peterlee is inevitably running below Japanese levels and production costs are higher.

Freight

Peterlee bearings, however, cost less when delivered to European customers than the same bearings produced at NSK Japanese plant because of freight differentials and because they do not have to pay the EEC 9 per cent. import duty. Another point NSK seems fairly sure of is that it is already beating productivity levels at RHP, the major British bearing manufacturer which led the campaign against the establishment of the Peterlee factory after it was announced three and a-half years ago.

Aside from the adaptability of British labour the other main question mark affecting the ultimate success of the Peterlee factory will be the extent to which it can use British steel. For the whole of its first year the factory used imported Japanese steel pipe for the bearings parts manufactured at Peterlee, but in May and June it started trial runs with British steel. NSK's initial comment after the changeover was that British quality control ideas seemed to be different from Japanese ideas and that BSC was "too generous to defects."

If the switch to British steel is made successfully, the Peterlee operation will become more profitable and more valuable to the British economy. NSK reckons that the local content of its bearings will rise to 80 per cent. by value if British steel is used compared with 60 per cent. if it uses Japanese steel. The main imported element will continue to be balls which have to be made in Japan because the minimum operating scale is much greater than anything likely to be achieved at Peterlee.

In the meantime NSK is proud of its export ratio which is far above the 50 per cent. floor level agreed with the British government when it set up the plant. At the moment about 12 per cent. of total output is being sold in Britain with the whole of the rest going to other EEC countries, including a predominant 50 per cent. to France. The relatively small share being taken by the U.K. market may partly explain why NSK is avoiding a commitment on whether future expansion of its manufacturing operations will be undertaken in the U.K. or elsewhere in Europe. The Peterlee plant makes five basic types of bearings in a variety of sizes, for which the total EEC market is about £100m. (and the NSK market share around 4 per cent.). Ultimately NSK will probably decide to
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هكذا من الأصل

Barriers against ballpoints

"NOT put another ...ipan," insists M. ...ges, president of ...onal Corporation ...he Frenchman is ...he many barriers ...re put up against ...products over the ...h the French com... intention of with...ally from the ...rket. M. Pages ...c is "ticking over" ...profits, but adds ...panese will never ...lot of money here; ...o well, up come ... So we plod along ...trouble."

...Pages' complaints ...iary in Japan ...a $7.5m. turnover ...id is respectably ...$2m. Moreover, ...ibout 15 per cent. ...nt pen market in ...bout 8 per cent. ...able lighter mar... Bic's position in ...irdier than most ...anies enjoy. But ...id market shares, ...to be concerned

...exporting the first ...allpoint pens to ...early 1960s. Using ...tent, Bic managed ...les and eventually ...nt. of the market. ...nse: a three-fold ...import duties on ...to 65 per cent. to ...apanese industry. ...ed out of the ...testing to the Ministry for International Trade and Industry (MITI) Bic was told it should invest in Japan to manufacture its pens. Getting permission to start up a foreign venture and building a small plant, Bic took two years to get back into the ballpoint pen market, so it had to start from scratch again.

"The Japanese want free access to our markets," says M. Pages, "but if we are successful in theirs, they make life impossible for us." As a result, Bic lost its early share of the market because the higher duty gave Japanese companies—notably Zebra and Mitsubishi—a chance to develop better pens and cover the market. Since 1968, Bic has managed to boost sales to 45m. pens a year on a market of 300m. By comparison, the French company has (in about as many years) grown to be the biggest supplier of the U.S. market, where it accounts for about 65 per cent. of an 800m.-pens-per-year market.

If Bic's experience on ballpoint pens caused some anger, the same applies to its second export offensive in 1974, when the French company began to export disposable lighters to Japan. In a matter of 18 months the market mushroomed from nearly 40m. pieces a year to about 120m. pieces in 1976. Bic had taken nearly 20 per cent. of the early market, but most of the increased purchases went to Japanese companies which brought out the "100 yen lighter," the cheapest throw-away on the market. Bic's own share, as a result, has declined to between 7 and 8 per cent., yet there has been "constant harassment," M. Pages says, from authorities at MITI aimed at keeping down Bic's exports to Japan.

"It has been especially irritating," he says, "because they always try to prove that our lighters are dangerous. Just recently they have told us to modify the design, and if we fail to comply they have threatened to make us buy up all our lighters off the market. We have no choice: we will comply. But there is no concern about the cheap Japanese lighters which cost just 100 yen and are 100 times more dangerous. It is a double standard."

Success

Here again, Bic point to its smashing success on the American market where it claims 41 per cent. of a disposable lighter market which is twice as large as Japan's. In the U.S. Bic sold about 100m. lighters last year, yet only 10m. in Japan. And Bic is not a little concerned about Japanese companies which have begun selling their "100 yen" lighters abroad. "We are happy to compete overseas, but they do not let us compete in Japan," M. Pages maintains.

The Bic story in Japan does not end there, though. In the past year, Bic has moved strongly into the world market with its disposable razors, challenging the U.S. giants, Gillette and Schick. Bic decided to sell its own razors in Japan, and set about a strategy like the one it adopted for the U.S. based on a blitz campaign to distribute free razors at first, then follow it up with an advertising campaign. Wary of Japanese officialdom, Bic decided on a pilot project to give away a few thousand razors. As M. Pages recalls, "within 24 hours I had visits from MITI, two tax inspectors, a customs official and several calls from the fair trade commission."

The upshot was a combined threat to penalise Bic's razor imports unless the campaign was stopped immediately. In fact, Japanese customs officials reserve the right to make importers (who import from their parent companies) pay for the "real" value of a product. In the case of Bic's razors, which normally would come in at 8 per cent. duty, the authorities were threatening to apply the tariff on the combined value of the article itself and the costs of promotion. Thus, the effective rate would have been several times higher than the 8 per cent. on the books, and thereby make Bic's marketing strategy an expensive one. "We just cannot afford it, so we have to give up," says M. Pages, although he admits that Schick, by working with a Japanese group has managed to take 35 per cent. of the disposable razor market. But he also points out that Gillette, with about 65 per cent. of the U.S. and world markets, still has not managed to take even 6 per cent. of the Japanese market. And Gillette and Bic have one thing in common: they tried to enter the Japanese market under their own steam.

D.R.

But Philips fights back

...are doing here is ...the Japanese are ...rope—exporting a ...of products and ...ing bogged down ...e range, continues ...resident of Nihon ...cludes electric ...e makers, mixers ..., but with the ...helmingly on the

...30 per cent. of the ...market (estimated ...00 units per year) ...per cent. of the ...c shaver market. ...apanese company ...success in either ...by now be causing ...itors to start ask...tion.

...o-one bothers to ...otection but the ...s tough and for ... The Japanese ...90 per cent. but ...; most wholesale ...re controlled by ...nufacturers and ...vailable to im...advertising costs ...mes as much per ...ice as much per ...urope; and MITI ...labelling and ...ments and the ...y does not have ...f personal access ...o keep track of ...readily as its

...son why Philips ...apan a tough ...k is that it was a late starter as an exporter—although far from late in its appreciation of the general importance of the Japanese market. Philip's first post-war involvement in Japan began in 1975 when it took a minority stake in Matsushita Electronics Corporation (MEC), a joint venture designed to produce parts and equipment for the Japanese electrical industry under Matsushita management but with Philips technology.

Establishment

After MEC Philips took another step into Japan with the establishment of industrial development and consultancy corporation to keep a low-profile look-out for technology licensing opportunities and on the Japanese scene in general. Philip's export drive did not really get going in earnest, however, until 1972 when these interests were consolidated into Nihon Philips (75 per cent. controlled by Philips, 25 per cent. by Matsushita).

That year was the ideal moment to start selling to Japan. The government of the day was reflating the domestic economy and deliberately encouraging imports in order to head off pressures for further revaluation of the yen. Philips got off to a flying start with an initial 70 per cent. of the coffee maker market and a goodly share of the high quality shaver market. It started with three Japanese competitors in coffee makers. Four years later there were eight competing Japanese products on the market and the competition continues to get hotter.

Mr. Bossers, who has been in Japan since autumn 1971, draws several conclusions about Philips' Japanese experience. One is that however tough the competition, a large multinational concern like Philips must not and cannot ignore Japanese consumers—who are probably the most quality-conscious in the world, a fact which can become a source of strength to any company which attempts to match up to their standards.

A second conclusion is that no company which enters the Japanese market can hope for a quick pay-off. Mr. Bossers sees seven to 10 years as the normal incubation period for a major marketing effort like that of Philips and says there is no way of estimating when Philips can "earn back" the £2m. or so it has sunk in Japanese television advertising since 1973.

The third conclusion is that you should start by tackling the "foothills" before going for the "mountains." Coffee makers and shavers represent the foothills so far as Philips' assault on the Japanese market is concerned. Sooner or later, Mr. Bossers admits, the company will have to try something bigger—possibly the development of a market in Japan for its video disc equipment, a field where it claims a long lead over Japanese electronics manufacturers. Another field—which Philips has already tackled—is professional equipment including medical electronics and scientific measuring equipment. There are no real problems about gaining market access in this area, since the buyers are hospitals, universities or government agencies which can be easily approached. But there are technological problems and price competition.

Essential

Philips believes that to succeed in the long run in Japan design for the Japanese market is essential. It also believes that there is a strong case for doing such design in Japan rather than Europe. The company employs 35 engineers in Osaka who produced a design for a medium quality coffee maker which is now being manufactured in Singapore and exported to Japan.

There will be more operations of this kind in future, particularly if Japan's trade links with South-East Asia become closer. The benefits to employment and to the balance of payments in Europe from such a transaction might not seem to be immediately obvious. But European companies which want to sell in Japan cannot afford to leave any stone unturned—even if they happen to be operating elsewhere in Asia.

C.S.

And Wella finds a niche

...PAN outpaced ...ar in terms of ...ato second place ...r among foreign ...s in Japan. The ...ed this position ...after the estab... Japan joint ...got where it is ...apanese market ...g on only 10 per ...as in its product

...hneidewind, the ...ella's Japanese ...Fine Cosmetic ...this success to a ...of "German ...nd a Japanese ...on harmonious ...customers, staff ...artners. On a ...il note Dr. ...ays: "We have ...y. There were ...in this field ...troduced our ...tment products. ...apanese people ...know what hair

...in representative ...r. Schneidewind ...set up a liaison ...a Cosmetics in ...ears ago. After the meantime, studying the market for three years through the liaison office, he reached the conclusion that the best way to introduce a new cosmetic product was through beauty salons and that Wella should aim for the top of the market. "If we went for ordinary customers we would not be where we are to-day." Dr. Schneidewind says.

In May, 1972, Wella set up a 50-50 joint venture company with Takara Chair, a Japanese maker of barbers' chairs which had previously been distributing its products in Japan.

The venture was a success—so much so that Takara withdrew in order to put out its own hair treatment products. After Takara's withdrawal Wella went into partnership on the same 50-50 basis with its main wholesaler.

In order to introduce the concept of hair treatment to the Japanese public, Wella invited beauticians to attend training sessions at its studios set up in beauty salons. About 500 beauticians a day attended the Wella session, where they studied techniques of hair design as well as the use of Wella products. Beauticians who have graduated from Wella's studios now total around 100,000. In the meantime, the number of wholesalers handling Wella products has risen to 134 and the company's share of the professional market for cosmetics is about 16 per cent.

Wella's venture in retail sales started in 1972. To-day, hair shampoo, hair rinse, hair cream and hair dye are distributed through over 6,000 retail stores and retail sales account for 30 per cent. of total Japan turnover.

Third

About 90 per cent. of the cosmetic products Wella sells in Japan are manufactured locally. The company has just inaugurated its third Japanese factory in Narita City, near Tokyo's soon-to-be-opened Narita International Airport. The factory took five years and six months to complete and cost Y2.4bn., including land. Dr. Schneidewind says the Narita project taught him that one of the hardest problems for foreign manufacturers investing in Japan, is to buy real estate. It took five years to acquire separately owned 72 rice paddys (totalling 9,000 square metres) from 55 different rice paddy owners. Wella claims that the Narita plant employs the most advanced technology in the Japanese cosmetic industry. The factory is completely computerised, requiring only 20 technicians and 100 female part-timers. Production capacity is roughly three times the present level of output.

Wella's West German headquarters has adopted taking a laissez-faire attitude to the running of its Japanese affiliate, confining itself to controlling the quality of and image of the products. As an instance of this Dr. Schneidewind says he arranged local financing for the Narita factory and merely telephoned the company's German headquarters to say the project was going ahead. A further instance of independence is Wella's policy towards its employees. The company adopts a standard Japanese wage system but provides better opportunities for promotion than most Japanese companies. As a result, only 10 out of 600 female employees left the company in the past five years. Wella has been increasing its sales by 25 per cent. annually during five years in Japan. It expects a turnover of Y12.5bn. this year and may achieve Y50bn. in five to seven years time.

Yoko Shibata

Grundig takes a chance

GRUNDIG, THE leading German television maker, thinks it has a market for colour TV sets in Japan. *If that sounds like carrying coals to Newcastle,* it may prove more difficult. But when Elbex, a German-owned trading company based in Tokyo, approached Grundig two years ago about the task, Grundig decided to take a chance. In February Elbex opened a Grundig showroom in Tokyo's central Akasaka district, and response has been "strong," according to the manager, Mr. Dan Harris. Still, Grundig will have to overcome some very large obstacles if it is to become the first foreign supplier of colour sets *to the Japanese market.*

Technical obstacles are paramount, but Grundig hopes to get over these by the year's end. When the showroom opened in February, Grundig hoped to be able to start supplying colour sets by August or September. But Grundig is not yet satisfied with its new process to convert its sets from the German-made Pal or French-originated Secam colour systems to the Japanese one (also used in the U.S. and a handful of other countries, *including the Philippines and* Taiwan, in Asia). The new target is December, and the delay has clearly taken some of the momentum out of the operation, but Elbex nevertheless thinks Grundig sets are still several years ahead of their nearest Japanese competitors.

In the meantime, Grundig must decide the most efficient way to export the sets. With a potential market for between 15,000 and 20,000 sets in the first year, the German company is studying the pros and cons of sending knockdowns (that is, *not fully built*) sets to Japan for final assembly by a Japanese subcontractor with some locally-supplied parts. The sets would still have to jump a 5 per cent. import duty, but Grundig is least worried about that.

In fact, Grundig has few doubts that it can sell its top range of colour sets at prices below the commanding Japanese ones. *This gets to the heart* of Grundig's strategy in Japan, that is, selling a line of colour sets which are not produced in *bulk by local manufacturers* — for whatever the reason. In particular, Japanese makers have neglected large-size (over 26-inch) sets because the mass market has dwelt more on small and medium sizes and because it has proved harder to get the technology right for larger sets. Grundig, for its part, claims to have the most advanced large-size colour sets in the world, and also boasts a "Diagnosis Adapter" system for electronically checking TV circuitry. (The system is now being studied by Japanese TV makers and Grundig fears it could be in widespread use in Japanese sets in two or three years time.)

The market for large TV sets is still small by comparison with the overall Japanese market. Some 100,000 large sets were sold last year, more than half of them by Hitachi, which makes the cheapest model at Y250,000 (retail). Sony, on the other hand, *retails its largest model* at over Y600,000. claims to have a sy than both, and ha retail the most adva at less than Y400,00

"We have the tec the price to win a of the market," claims, and the Gr sees no problem in the target 300 deal to get sales off the this despite the r Japan's retail netw comes to selling fo In fact, the biggest maker, Matsushit three-fifths of the 50,000 principal re for TV sets in though "control" do that the outlet mus sell Matsushita (although the rule 75 per cent. Mats products).

For now, Grun wealth of compe Japanese industry, no problem finding But like all marketi the offensive will cheaply. Elbex exp $500,000 on publicit few months of sal is on top of at leas promotional expens first set is sold. Grundig feels, sale plain sailing.

If so, Grundig w bunked several po about selling in Ja is tempted to ask. First, why haven't TV makers, creat NTSC colour syst Japan, got into already? And seco long will Japanes panies let Grundig the moderately-pr technology lead?

Small

According to American manufac repeatedly conclud market for large T *small to be worth* of selling in Japa U.S. companies hav ally sought a hi mediate return on t the Japanese mark on both counts, take *view.* The Japanes will still be margi of the company's sales (nearly 3m. u but Grundig antic scale growth in demand for large sets. Then, too, decided to do as t do and pare profit the bone until the got a firm hold on that is, much the sa as Japan's TV m relentlessly pursue

With the prospe seen ahead, it is working against a the market for larg sets does boom in of the major Japane turers can afford t It could mean, in time, a major scra market. So Grundig get its share of the The early delays d well, but Grundig a *in Japan seem con* can make up the then some.

The Danish attack

DANISH INDUSTRY consists mainly of small highly specialised companies which have managed to penetrate equally specialised world markets thanks to advanced technology or high quality. For such companies selling to Japan is often a must—not only because of the size of the market but also because of the need to maintain *competitive strength in third* markets by matching up to the competition in Japan. Yet selling in Japan usually involves investing money and time on establishing an elaborate sales network, and Danish companies *may be too small to afford such* investments. A way round this problem is offered by the newly established Tokyo office of the Federation of Danish Industries.

The FDI office, which opened its doors on April 1 at a street *level site in the heart of the* Marunouchi business district of Tokyo, is not a typical or traditional overseas representative office of an industry federation. It does not aim to represent the 2,300 companies which belong *to FDI, or indeed the 400 or so* Danish companies which are interested in Japan—but a select list of 30 companies chosen for the suitability of their products for the market and their willingness to back up the efforts of the Federation office.

The services of the Tokyo FDI office are free (it is financed by a grant from a private foundation), but fairly stringent conditions are imposed on client companies. These include the obligation to send out Danish executives to Tokyo when recommended to do so and to keep them in Japan for a reasonable period—a minimum of three weeks per visit is recommended by the Federation. Companies must also give top priority to their Japanese sales efforts—even in some cases over larger but more *easily penetrable markets*—and must provide all the information the FDI needs to act as their Tokyo "office." If its conditions are not fully met the FDI says it will merely drop the company concerned and substitute one from its waiting list.

The opening of the FDI *Tokyo office is the sequel* to about six years of steadily growing Danish industrial interest in Japan—starting in 1971 when the Federation sent its first export mission to Tokyo. The mission opened up "interesting *possibilities*" (although Danish industrial exports to Japan in 1970 were worth less than Kr.200m.) and prompted the Federation to start a study of likely developments in the Japanese market up to the late 1980s. *In* 1973 and 1974 Denmark mounted two exhibitions of anti-pollution equipment (one in Osaka and one in Tokyo) which produced modest results but at least convinced the Danes that selling to Japan could not *be done from behind a desk in* Copenhagen.

Symposium

The next effort was a major industrial symposium staged in 1976 at the Tokyo headquarters of the FDI's Japanese opposite number the Keidanren (Federation of Japanese Economic Organisations). The Tokyo symposium cost about £20,000 to stage and attracted 4,000 top Japanese businessmen bureaucrats and scientists. Its results were successful enough, says Mr. Knud Lindegaard, who runs the Tokyo office, to convince the Federation that another major step should be taken in Japan.

The FDI asked for advice from Mr. Toshiwo Doko, the President of Keidanren when he visited Copenhagen in November, 1976, at the end of a European tour, where the emphasis had been on European complaints about Japanese "excess competition." Mr. Doko advised the Federation to be "as agressive in Japan as the Japanese were being in Europe." Specifically he offered help in opening a Tokyo office and advice on how it should be operated.

The FDI office, which opened its door four months after Mr. Doko had suggested it, sees itself as the "extended market*ing arm" of the 30 Danish com*panies under its wing. The companies concerned all have their own Japanese agents, but Mr. Lindegaard says this does not bridge the communications gap which seems to be holding up Danish industrial exports—"the Danish companies have *this* opinion about the Japanese market, while the agents have *that* opinion about Danish goods." It is up to the FDI office to try to make the two opinions interlock and to motivate the Japanese agents to make wholehearted efforts to sell on behalf of their principals.

If this sounds too general, the FDI office has other func*tions as well: one is to keep* an eye on Japanese tendering for plant contracts in third countries and to introduce Danish companies which might act as sub-contractors (an activity where it has a *guarantee of support and* assistance from the Keidanren). Another is to keep track of Japanese trade missions or business visitors to Denmark and make sure they meet the right people.

The task which confronts the FDI office can be understood by reference to the Denmark-Japan trade figures. These show Japanese exports to Denmark in 1976 at nearly Kr.2.2bn. or nearly three times as large as Danish exports to Japan.

The FDI office is operating on a two-year trial basis (after which it may, among other things have to consider where its permanent running expenses are going to come from). What can be said at present is that the office represents a pioneer effort by a European industrial confederation in partnership with its Japanese opposite number to carve out a niche in the Japanese market.

C.S.

A hard fight for EMI

EMI DELIVERED its first brain scanner to the Japanese market in early 1975. One year later a Japanese competitor, Hitachi, *put its own scanner on the* market and went from nothing to 30 per cent. of scanner sales in Japan. In the meanwhile, EMI has finally got the basic original patent for its scanner registered in Japan, but still *has not received clearance* for 20 or so amendments and extensions. Typically, patents take three or four years in Japan, and EMI feels somewhat unprotected since Hitachi's system appears to have eerily similar *engineering to the EMI scanner,* which was the first of its kind anywhere. To make matters worse, Hitachi is selling its scanners at 20 per cent. less than EMI. The British company still claims 56 per cent. of the market, but *its hold is now* less firm—even loose enough to make the company think again about starting up a scanner factory in Japan rather than continue exporting them from the U.K.

For all its problems, EMI is one British company that does not complain about Japan's non-*tariff barriers.* "We are selling exclusive items, and if the quality is unmatched in Japan the market is wide open," says Mr. Brian Dockery, EMI's representative in Tokyo. But he admits that the company has done less well with its range of industrial electronics, which compete directly with local Japanese manufactures, and EMI is no longer so sure that the scanner market will stay wide open if Hitachi has its way. Still, EMI has less to complain about than most. After all, EMI asked Toshiba to sell the scan*ners only three years ago* and already has delivered 120 to Japan (compared with 500 to the U.S.) worth £21m.

Elsewhere, too, EMI has done very well since it set up a joint venture 15 years ago with Toshiba. EMI and its U.S. *sub*sidiary, Capitol, have a 50 per cent. stake in the company, which has since become the largest manufacturer of pre-recorded music on tapes and records in Japan. Toshiba-EMI *claims 19 per cent of the* market, and a £59m turnover last year, which afforded £6m. in profits. They also have a joint music publishing company which has been growing at 70 per cent. a year since it was *started up in 1974* when EMI worldwide began to build up its publishing interests. EMI separately arranges for *the distribution* of its feature films, though it does not produce in Japan.

EMI also has a 40 per cent. stake in a video production company run by Toshiba, but so far *it and other software producers* have kept a low profile until it becomes clear what the battle between Matsushita and Sony-led groups of video tape recorder (vtr) makers means for the videotape market. EMI *itself is not sure how to tackle* the matter, although it is clear that Japan (and then the U.S.) will be the test markets for home vtr's. EMI has begun to study programme material for possible co-productions by its Japanese, German and U.S. video units, and Mr. Dockery expects EMI's strategy for Japan *to take shape in the next 12* months. One avenue, he says, may be to bump up EMI's stake *in the business, or even transfer* the video business to Toshiba-EMI, which has worked like clockwork so far.

Attractive

The company is worried but not disheartened by Hitachi's entry on to the scanner market. *The Japanese company's lower* price has been attractive to private hospitals which are out to save money. But Toshiba has managed to keep most of the Government-funded hospitals on its roster of clients in an unusual example of public purchasing *orders* going to overseas suppliers rather than *to a competitor who produces* in Japan. According to Mr. Dockery, EMI expects to maintain its lead over Hitachi and especially if it is successful in pushing other advanced medical equipment on to the *Japanese market. EMI is now* exploring ways of introducing the ultrasonic equipment it is developing in the U.K. and thermoutic equipment being developed in the U.S., and expects this side of EMI's Japan business to grow faster. It is not yet decided but EMI may turn over the new equipment to Toshiba for distribution unless the Japanese company fails to keep EMI in the lead against Hitachi on scanners however, going Toshiba would be so in industrial ele *Toyo Corporation).* worked poorly wi exception of electr

One apparent in EMI's success has h ingness to trust a Ja pany, in this case *perform well.* Fro daily managemen various EMI compan was entrusted to To tives, and EMI onl a small office with expatriate director the boards of its joi The low profile h avoid much of th *countered by other* panies which attem and manage their o in Japan. EMI has strict rules about wh facture locally and to do so. Still, t may have to change if Hitachi continue EMI's scanner mark *Apart from the* Hitachi is also bet modify scanners to of individual buye building up its scanners to meet but the company do out the possibility scanners and oth equipment in Japan take place if ever necessary," says M although EMI cle rather keep on ex scanners to Japan.

JAPAN AND EUROPE XV

A gamble by Leyland

...ontribution to re- ...ade imbalance be- ... and Japan," says ...wa, the president ...nth old joint ven- ... Mitsui and Co. ...yland which aims ... Leyland cars in ... Mitsui has a 65 ... in Leyland Japan ... cent. for Leyland ... probably could ... if it had wanted). ...ty has smart new ...rand new building ...e best business ...Tokyo. By Novem- ... when it sells its ... will also have a ...tribution network ... subdealers and ... organised in six ... areas of Japan, a ...metre PDI (pre- ...ection) centre at ... training centre on ... for servicing en- ... a parts depot de- ...ire instant delivery ...t. of the parts for ...s of car Leyland ... importing.

...ul

...ay not add up to ...ales and servicing ... manufacturers can ...r in their home ...en to the networks ...nd Toyota have ... set up in Britain. ...ever, represent a ... more powerful ...sation than any ...naker has had in ...now.

...ars Leyland Japan ...rt are the Triumph ...MGB—both of them newcomers to the Japanese market which is in fact largely unfamiliar with British sports cars — the new 3,500 cc Rover and the Jaguar range which is the only portion of British Leyland's output now being imported into Japan. Mr. Shirakawa, whose experience in selling imported cars came from developing a Canadian market for Toyota, says he thinks Japan is ripe for the special styling and performance (and probably also special prices) which Leyland Japan will be offering.

Japan has gone a long way towards developing a motorised society with some 30m. vehicles in circulation or nearly one for every three people in the country. There may not be much scope for further increasing the basic diffusion rate of cars Mr. Shirakawa says, so the time has come to sell variety and quality rather than just mobility to aspiring Japanese consumers.

He hopes Leyland will be able to do precisely this but its success will depend on two things: one will be an effective servicing capacity (hence the parts depot and training facilities at Yokohama). The other will be regular availability of cars — something that British Leyland has not always excelled at in its overseas markets in the past. British Leyland's former Japan agent, Shin Toyo motors, which will continue to be a main dealer for Jaguars (under the aegis of Leyland Japan) remembers having to import Jaguars from California in 1973 because of a total interruption of supplies from Britain. Mr. Shirakawa says he has asked for and received a solemn guarantee from British Leyland that Japan will get top priority in future and that supply disruptions will not occur.

Compared with quality, reliability and availability, Mr. Shirakawa thinks that price may be a relatively marginal factor in the success of future British Leyland sales in Japan. He notes that there is an unsatisfied demand for second-hand Minis in Japan these days even though the going rate for a standard 1,000 cc model is between Y1.8m. and Y2m. (£3,900 to £4,300) per car. The Jaguar XJS is selling "satisfactorily" (and no doubt yielding some very handsome profits for Shin Toyo) at a retail price of Y11m. (£24,000) per car, while smaller Jaguars can be had for between Y8m. and Y9m.

Luxuries

Leyland Japan would probably be undermining this year's demand for Jaguars (estimated at around 800 units) if it announced price cuts before it takes over full responsibility for sales next year. Even after it is in charge it will have to exercise very great care in its pricing policy: sudden and sharp reductions in the price of an imported product can demoralise Japanese consumers who like to think they are acquiring luxuries.

The fact remains that high prices keep the Jaguar within a restricted market and that distribution and servicing costs in Japan are not to blame for the whole of the present enormous mark up. Jaguar prices under the new administration may thus come down to less stratospheric levels though the descent will probably be dignified rather than precipitous.

Mr. Shirakawa's hopes for the future include reintroducing the Mini into Japan (when Leyland comes out with a redesigned model which will hopefully be able to pass the Japanese emission control tests) and perhaps even introducing London taxi cabs, not as a substitute for the standard Tokyo taxi but for special purposes such as hotel airport taxi services. At some stage Mitsui looks forward to other types of collaboration with British Leyland possibly covering products such as agricultural tractors or fork lift trucks and conceivably expanding outside Japan into third markets. Initially however the whole emphasis will be on stepping up car sales, hopefully by 10 to 20 per cent. per year from next year's starting figure of 2,000.

Mr. Shirakawa, as president of Leyland Japan will be working with a British Leyland Vice-President and a representative from Leyland International both whom will be stationed in Tokyo. He will also, hopefully, be working hand in glove with the Ministry of International Trade and Industry which has been making vigorous efforts recently to smooth out some of the obstacles alleged by foreign car manufacturers to hinder selling in Japan. The first test of MITI's goodwill to the new Leyland venture will be the speed with which the TR7 and MGB pass their homologation tests this summer. Mr. Shirakawa says he is certain they will pass—and perhaps in less than half the time foreign cars used to take to gain admission to the Japanese market.

C.S.

High potential for Perkins

...NESE diesel engine ... the world's largest ... 99 per cent. of its ... The other 1 per ...plied by Perkins ... Peterborough, a ...ch declares that its ...s are small but its ...re large.

...large aspirations is ...shful thinking, so- ...s is concerned. The ...s have reason to ... it could do far- ...se business than it ...y—say 10 per cent. ...ess being done in ... which fall within ... about £30m.-worth ...r year.

...so has reason to ... if it fails to make ...n Japan, Japanese ...e exporters will ...ter be making a ...mpact on Perkins' ...ird countries. As ...n does not export ... at all—or rather ...m only as integral ...les.

... who has been in ...kins' Tokyo liaison ... past three years, ... a near certainty ...ill one day attack ...sel market, as it ...ttacked the world ... market and may ...out to attack the ... market. When ...es to compete in ... Perkins will feel ... if it already has ... in Japan.

...old one diesel ...pan in 1960 and ...m there to about ... in 1975, a year in ...K. manufacturing ...ations which tem- ...back progress in ...os' Japanese sales ...hrough Yanmar, ...r diesel manufac- ...s whose range is ...y complementary ...s range. Yanmar ...5 h.p. to 30 h.p. ...ice paddy tillers ... well as in heavy ...gines of 30 h.p. ...hereas Perkins' ... light-weight high ...p. to 400 h.p. ... Yanmar relation- ... good example of ... that a European ...t agent in Japan ... a company in the ...as itself but with ...ge of products.

... established an- ...al relationship, ...s a two-way flow ...th Japan. This is ...Kogyo the third ...ese motor manu- ...rkins and Toyo ...ear technical ex- ...ent in 1965 under ...apanese company ...ngine design and ...rkins. ...ent on technology ...newed in 1975, ...cause Toyo Kogyo ...d enough of its ...gy during the decade to be able to carry on unassisted, but an exchange of engines and parts continues between the two companies to a value of around £1.5m. per year in each direction. The latest development is a Perkins trading company (paid up capital Y30m.) which will undertake exports of Toyo diesel engines to third markets.

Perkins has two reasons for believing that it can move beyond its present 1 per cent. share of the Japanese diesel market (worth at a rough guess around £2m. over and above the two-way trade with Toyo) to something substantially larger. The first is that it sells plenty of engines elsewhere in the world to vehicle manufacturers who are themselves also diesel manufacturers — examples are its sales to Ford, General Motors and Volvo. The second point is that Perkins has a world-wide parts and servicing network to back up its diesel engine exports which Japanese makers—because they do not export engines as such — still lack.

The Perkins argument is that Japanese vehicles, whether trucks, fork-lift trucks or tractors, are more likely to achieve a smooth penetration of overseas markets if they are equipped with an engine which is already understood and trusted around the world. It has been "knocking on the doors" of Japanese vehicle manufacturers with this message for the past three or four years and now claims to be getting somewhere. Ron Elliot says that the company is "at some stage of discussion or negotiation with the majority of major diesel engine users in Japan."

Contact

Establishing even as much contact as Perkins now has with Japanese vehicle manufacturers has been a lengthy and trying business. Mr. Elliot says Japanese companies have a "closed psychology" when the subject of buying parts or equipment from foreign suppliers comes up. Engineers are "immensely proud and jealous" of their own products and there is a strong inclination to keep business within Japan Inc., despite the lip service frequently paid to the maintenance of an open market. Another problem has been the remarkably naivete of even very big companies on matters related to import or export documentation—something which even the giants of Japanese industry tend to leave to the specialists in the trading companies.

Once initial contacts have borne fruit there is the time factor to be considered. A vehicle manufacturer may take 18 months to produce a design to fit a foreign engine, and then need at least as long again to carry out tests. The reason why Perkins hopes eventually to come through all of this with a real increase in its Japanese business is that it believes itself still to have a technological edge on Japan. Japanese production techniques are good, says Mr. Elliot, but basic engine technology is still behind that of Europe—although not many Japanese engineers would like to admit it.

C.S.

Dunhill looks after its image

"THE JAPANESE people probably have a higher regard for quality than any other nation—which is why Dunhill has done so well here for such a long time," says Mr. Richard Todd, general manager of Alfred Dunhill in Japan. Japanese consumers also tend to have a taste for traditional English style and quality, which is no doubt another point that has worked in Dunhill's favour.

The ironical fact, however, about Dunhill's Japan operation is that 85 per cent. of its lighters which constitute its main selling item, come from Switzerland, with a fair proportion of the balance being made in the U.K. and France. Dunhill says it has products made wherever quality and workmanship is best, a fact which apparently has not always told in favour of the U.K. as its main source of supply.

Dunhill originally broke into the Japanese market with its top quality lighters, and claims it still has no real Japanese competitor for its products. The top quality lighter market is shared between Dunhill, Dupont and Cartier, with Dunhill claiming 50 per cent. of the total sales judging by its share of sales through duty free shops at Japanese airports and ports. Dunhill is a worldwide operation but rates the Far East (consisting largely of Tokyo and Hong Kong) as one of its more promising markets.

Dunhill sales in the Far East account for 30 per cent. of the Dunhill Group's total sales, while the U.S., largely as a result of recent acquisitions, now accounts for 42 per cent.

Looking after the Dunhill "image" in Japan includes giving advice on the way the company's merchandise is displayed in the one Dunhill shop (now owned and operated by Dunco) and in the three "Dunhill corners" in prestigious department stores in Japan. Mr. Todd says customers are not buying pipes or lighters when they shop in a Dunhill shop but are also responding to a traditional English atmosphere which goes with the company's name and product. Licensing of Dunhill's products for local manufacture is out, Mr. Todd says, although this might be a quick way to profit in Japan.

Accessories

Apart from pipes and lighters and smokers accessories, sales in Japan included cigarettes, fashion accessories, leather goods, men's clothing and cosmetics. Clothing, introduced five years ago, is regarded by the company as one of the most profitable lines for future sales in Japan. In fact, the prospects seemed good enough early this year for the company to stage its first-ever menswear fashion show in a Tokyo hotel.

"Many foreign companies criticise Japan's distribution for being over complicated," Mr. Todd says. "However, I don't think it makes sense to try to fight the system. There are social and historical reasons for the complexity of distribution in Japan and we have to accept them. Despite this philosophic attitude, Dunhill made a move at the beginning of this year to streamline its own distribution system in Japan. Until last April Dunhill lighters passed through four separate "layers" of Japanese distributors, first Dunhill's own Tokyo office, as the importer, then Coronet Company (which acted as exclusive distributor"), then the inevitable Japanese wholesale network and finally, the retailers. One of the effects on the prices of Dunhill lighters of this four layered system was to raise them, at the retail level, to between Y47,500 and Y119,000 and beyond.

To simplify and strengthen control over the merchandise, Dunhill in April this year eliminated its distribution chain in Japan and handed over the rights to import its products to Dunco KK. This new company, which is a wholly-owned subsidiary of Coronet, will in the future be responsible for the importing and distribution of all Dunhill products, with the exception of the Dunhill cosmetics, and will not handle any other brands.

Dunhill says it is happy with this new arrangement and is now using its Tokyo office to assist Dunco in the continued development of Dunhill in Japan, in the maintenance of Dunhill's prestige and with expertise in marketing and products knowledge.

Y.S.

Shipbuilding gloom

IN MAY THE Japanese shipbuilding industry felt, briefly, like old times: Mitsui Engineering and Shipbuilding Co. got an order which was not anticipated: Sig. Bergesen of Norway contracted to take two ultra-large crude carriers (ULCCs), each of 320,000 dwt. from the Japanese yard. For Mitsui, which turned in a lacklustre performance in the fiscal year 1976, the orders were a windfall. On March 31st, Mitsui's backlog of ship orders stood at Y286bn. compared to Y432bn. a year earlier. As a result, Mitsui's backlog fell to the lowest of the top five shipbuilders after Mitsubishi, IHI, Kawasaki and Hitachi, whereas it had placed third at the end of fiscal 1975. The Norwegian contract may restore Mitsui's rank if not fortunes.

For the industry itself, the ULCC orders perked up some spirits but have not led to a hoped for new round of supertanker purchases. Indeed, although newbuilding permits in June rose by 37 per cent. to 1,259,000 dwt worth about Y98bn., the trend is unlikely to be sustained in July or August on the basis of industry estimates. The Mitsui orders accounted for more than half the June total, and if they were excluded, Japan's shipyards would only get permits in June for one-third fewer rather than one-third more tonnage than in May. So the windfall seems to have been Mitsui's, rather than the industry's.

In fact, most of the news out of Japan's shipbuilding industry so far this year has been gloomy, and the mood is bound to make Japan more reticent about further concessions to European shipbuilders. Much of the acrimony which characterised discussions between the two sides in 1976 and early 1977 has evaporated, largely because Tokyo agreed on a set of measures which make its shipyards somewhat less competitive on the European market. The concessions were made at Working Party Six of the OECD last February, and Japan seems to have carried out the letter as well as the spirit of the arrangement reached with the EEC and other members of the Association of West European Shipbuilders (AWES). Japan's new line, presented by Mr. Shasbiki of the Transport Ministry's ship bureau, is three-pronged:

1—The Ministry is enforcing a 5 per cent. price increase on ship exports to bring quotations on Japanese ships closer into line with Europe's; the Japanese yards are not happy but have not yet tried to get the rule abolished (though this may come in the autumn) before it lapses in end-1978.

2—The industry will cut its operating level to 65 per cent. of the peak 1974 levels by fiscal 1978, and the Government has already advised the top 40 shipbuilding companies to operate below 75 per cent. of the peak level in the present fiscal year.

3—Japanese yards have been told quite bluntly not to take orders in Holland and Germany where the local industries have been badly disrupted.

Secure

The Japanese industry now feels quite secure against further European complaints, and there have been much fewer of these in recent months. Above all, Japan is one of the only countries to have implemented a voluntarily cutback in operating capacity at its yards as agreed earlier in Working Party Six. It is doubtful, therefore, that Tokyo would feel obliged to make further concessions until the EEC or individual AWES countries come up with similar undertakings.

Compared to 1974 levels, Japanese yards laid off about 30,000 workers by March, and the industry predicts a further reduction of shipbuilding manpower by 30,000 before the end of 1978 in keeping with the promised reduction in operating rates at Japanese yards. (Japanese officials point out, moreover, that the 60,000 redundancies are equal to Germany's entire ship workforce, and more than either Britain's or France's.) So far, the big shipbuilders have not been badly hurt because they have traditionally subcontracted work to large numbers of suppliers and most of the fall in shipbuilding employment has therefore made subcontractors' employees redundant. And the big shipyards, anyway, can depend on related heavy industries (cars, for instance) which are often under the same management to take up some of the lifetime employees who are no longer needed at the yard. But the next 30,000 will be harder to handle.

Meantime, Japanese shipbuilders are unhappy with the course their export trade is taking (the Norwegian supertanker orders notwithstanding). In particular, they claim that Japan's backlog of ship orders is less (in terms of capacity) than in any of the major European shipbuilding nations, and that the concessions made in February could well damage their chances of getting the target 5m. gross tons of ship orders in fiscal 1977 compared with 5.4m. tons in 1975 and 6.3m. tons in 1976.

On the evidence so far, Japanese yards may still meet that target. Ship orders for the second quarter were not available as of writing, but in the January-to-March period Japanese shipyards reported 2m. gross tons of orders, or actually more than they had received in the same three months of last year (1.78m. gross tons). Japanese experts point out that the first quarter comparison is not valid for all of 1977 because the 5 per cent. increase in export prices only took force in April. Monthly figures substantiate this claim: new orders went from 574,000 tons in January to 615,000 tons in February and jumped to 910,000 tons in March, presumably as European and other buyers rushed to conclude contracts before the price rises took effect. Then in April new shipbuilding orders fell abruptly to 302,000 tons, leading the Japanese industry to conclude that their competitive edge had been seriously eroded by the Government's concessions at the OECD.

The supertanker orders have buoyed the backlog since April, but not appreciably, and Japanese yards are still having to endure diminishing profit margins as a result of the yen's appreciation since February. Ironically, the ship industry is one of the few where the Government has enforced yen-dominated contracts as part of its scheme to increase the use of yen as a settlement currency for Japan's exports (now about 30 per cent. of exports but still only 1 per cent. of imports). There is little doubt that the abnormally low order figures in April were influenced by the rapid appreciation of the yen which brought the yen to its strongest since the oil crisis before subsiding a bit in late April. By contrast, the yen faltered in May briefly coincidental with the Norwegian supertanker orders.

Since the start of 1977 the yen has strengthened from 293 to 265 to the dollar, which represents an effective appreciation of Japan's ship export prices since they are quoted in yen. On top of this, exporters have had to put up their yen prices by 5 per cent., so the effective rise in ship prices has been more than 15 per cent., according to an official at Mitsubishi heavy industries which remains the biggest shipbuilder in terms of orders, backlog and profits.

Dulled

For now, neither the Japanese yards nor AWES shipbuilders have sought to lock horns like they did in late 1976, largely because both sides are waiting to see how seriously Japan's edge has really been dulled by the combined weight of an appreciated yen and Tokyo's concessions at the OECD. But the dispute has not been buried. After all, Japan has steadfastly refused to accept the EEC contention that OECD orders must be shared out (roughly) equally between the AWES and Japanese yards. Japanese shipbuilders, for their part, want to continue to take about 50 per cent. of world ship orders which means taking more than half of OECD orders.

Tokyo is so firm about its refusal to accept a market-sharing arrangement with AWES shipbuilders that it is doubtful European officials will continue to make this the brunt of their demands. In fact, there is a very strong belief in private circles on both sides that if Japanese yards agree only half new Europe then other non builders would take slack with much ch tracts. The Japanese for instance, was s the loss to Korean an shipyards of a lo cargo ship order in N expects this competi to be at prices 20 below those quoted b yards) to escalate.

Instead, the EEC European agencies hack away at the Ja the matter of prices. to estimates made by pean Commission lat ship quotations by yards were generally per cent. below Europ Thus, the 5 per c increase was taken gesture by Tokyo al itself it could not hav eroded Japan's positi European market. S a dearer yen has nar gap considerably, bu closed it.

Sometime in the A two sides will set ab ing the new state the shipbuilding Tokyo will try to m for relaxing its t surveillance of Japan export prices if th stay at the low level. If not, they will try t line at present conces EEC, moreover, wil difficult position to further price rise c Japanese unless it n get a community-w ment on paring oper in the industry.

Switching to the widget

A LITTLE widget, for want of a better description, is about to become Japan's next star export item. In fact, several manufacturers that had been concentrating on CB transceivers for the American and parts of the European markets are getting out of CBs and switching to the widget.

The widget, as seen and tested in prototype for the past month, is a black box, about four inches square and half an inch thick. It has an on/off switch which also controls volume. A one-inch diameter speaker is near the switch. In front is a quarter-inch rectangular hole. Into this hole pass radar signals, or at least the manufacturers think so.

The widget is a radar speed trap detection device. It is so simple and unspectacular that it is reassuring that an electronic gadget can still be made that simple.

Earlier this year, several import agents tried to bring such devices into Japan, figuring that they had a market potential domestically. But Japanese customs officials refused their entry, despite there being no legislation on the books to prevent the sale and use of such devices.

Now, manufacturers have seized upon the idea and are revving up for full production and exports. Some of the devices are based on American design, others on in-house design. This widget will probably sell widely in the initial stages, much like other Japanese electronic products, that is until various local and national governments legislate against it.

But even more spectacular are the coming electronic products which the Japanese are developing in an effort to keep up with the fast changing communications scene and the world of "word processing."

With subsidies channelled through the science and technology agency of the Ministry of International Trade and Industry (MITI), various Japanese manufacturers have come up with a number of information processing systems in a project which dates back to 1971. Current emphasis is on printed and written language recognisers and voice and sound recognisers. They have developed these systems without conversion into computer language or signs.

In other projects, they have developed micro-computers, which will have a monthly rental of £215, which will be ideal for small stores for their inventory control. And another development is a large-scale integration (VLSI) device, which is destined for Government-supported development of large computers to compete with IBM's "future system."

In the semi-conductor field, the Japanese have been accused of taking American designs and improving on them, then selling the improved versions in the American market. The presidents of Airchild Camera and Instrument, Intel and Mostek have complained personally to Robert Strauss, President Jimmy Carter's special trade representative, about this. Even though the Japanese have only an estimated share of 1.6 per cent. of the American market for semi-conductors, the gist of the argument is that "it is not too soon to complain about the Japanese penetration of the market." Another reason for the complaint is that Japanese manufacturing operations in markets abroad are continuing to increase and MITI expects them to continue growing. But how fast and far and to which countries is still open to question.

It is known, however, that Japanese manufacturers establishing production facilities in various markets do so for several reasons. The most prominent is the supply of low cost labour. Thus, there are a number of production facilities in South-East Asia, particularly for electronic parts and some finished goods. The parts are re-imported into Japan, assembled into finished goods, then exported.

Another reason for overseas investment is for market penetration. For instance, the Sony manufacturing plant in Wales is strictly for the European market. The Sony facility in California is solely for the American market.

But an even stronger reason for investment abroad is the establishment of what the Japanese fondly refer to as "distribution networks," which in turn lead to what some foreign manufacturers contend to be "listening posts" for spotting market trends. A growing number of sales offices is being opened abroad, nearly all of them also acting as listening posts. Hitachi has for a number of years had a small research and development facility in "Silicon Village" south of San Francisco for the sole purpose of monitoring market trends and product development. Askai has established information offices in Europe and America to monitor current trends. In fact, there are now over 70 such offices abroad opened by Japanese manufacturers in addition to the production facilities they have established.

Higher

However, manufacturers have not yet decided that the time is ripe to open production facilities in Europe, even though Pioneer has established manufacturing facilities in Belgium to aim at the higher end of the market.

The Japanese have spent around £345m. in the past to establish various types of offices and plants for production overseas. By 1981, that figure is expected to be doubled, that is, if the recession can ever be cured. This is what is plaguing investments abroad at the moment. With demand low, inventories high and production well below capacity, domestically and in plants abroad, Japanese managers are none too willing to make investments in new plants or equipment.

Also, having established themselves already in nearly 50 countries, there are few other countries which can provide the type of investment climate which the Japanese prefer. Trying to sell what they have now available is hard enough for the Japanese, much less having to think about setting up a new facility in a new country.

The recent agreement with Washington to limit the export of colour TVs to 1.75m. units a year did not bring a rash of new investments in American production facilities already established by the Japanese. In fact, Mitsubishi Electric withdrew its plan to establish a plant on American soil immediately after the agreement was reached. Management said simply that it had sufficient capacity now and there was no reason to build new facilities.

To a large extent, the Japanese are preferring to arrange shareholdings of manufacturing facilities rather than to have a new plant constructed, simply to save on investment. Currently, they hold shares in production plants in over 180 ventures abroad. This type of sharing is expected to increase faster than investment in new facilities.

One reason for this shareholding is the development of new and much more sophisticated electronic equipment. Another is the continuing growth of production sharing among a highly complicated set of characters. Where the Japanese have out more than 150 licences for production by foreign firms, Americans especially have that many more being handled by the Japanese.

One official said that "it is such a complicated industry that we are almost talk with our compet at a cocktail party. are afraid of a possi of anti-monopoly con we even say hello."

One of the most c arrangements so centred on the develo production of home recording equipmen are now so many cro that no one has bee figure out exactly v battle line starts or e the American point Zenith has chosen o attack, RCA anoth Japanese developers. choosing partners, it that each have cros for other products other's partner.

Another area licensing has grow video disc equipment from VTR in that a d for recording and where tape is used Cross licensing is co Philips of the Nethe from Siemens of West Then the Japanese a ing to sell the videodi American outlets, l further licensing arr

As in the semi field, the Japanese ar improve on the basi without any return cial to the licensor i royalty. This is the complaint by the Am semi-conductor techn to the Japanese. Americans have failed is that the Japanese doing this for nearly

San

Projects in the air

ESE aerospace it started an air- ment project, jointly developed International ght twin-engine . since the T-2 er and the C-1 ansport projects ls.

hen the industry resume activities ten-year post-war en able steadily capabilities and the early 1970s. ations reached a fter which there al growth in pro-

idustry managed l sales of some fiscal year which h 31, 1977, the space companies Kawasaki, Fuji, pan Aircraft, and arima) recorded nbined manhours ar, down from The operational arily because of of the defence aft budget and ays in the starts defence projects.

le industry got eet in 1952 by r activities for ring the Korean ustry grew and h Western tech- rowing from a S. military air- ed producer. But ost of its work defence demand temporary period half of the 1960s on of the YS-11 urboprop jacked demand to an f 42 per cent. of ace activity in

efence demand a full 78.2 per total Y1,932bn. duction that the stic aerospace in- arned out through accepted fact that for the industry row is for it to expand into the commercial market. In recent years, demand for aircraft repairs from U.S. forces has been falling annually, particularly since U.S. involvement ended in Vietnam. Moreover, the industry has no particularly fat and juicy Japan defence agency project on the horizon either. But the commercial market in Japan alone is too small to support high development costs and any commercial aircraft project would have to go after the world market.

Japan's YX commercial jetliner development project first began as an attempt to follow the overseas success of the domestically developed YS-11 turboprop with a follow-up jetliner. In 1969, Nihon Aeroplane, the collective organisation of Japanese companies that produced the YS-11, proposed the building of a three-engined YS-33 as Japan's entry into the international jetliner market. The 85-116 passenger, 700-mile range medium-jet was to be powered by three 4,500kg thrust engines which were being developed at the time by Rolls-Royce. The YS-33 project was abandoned, however, when at first NAMC's biggest potential customer, All Nippon Airways, opposed the YS-33 development because it would not offer the airline capacity. Second, Rolls-Royce was forced to drop the development of the RB203 Trent engine which Japanese engineers were planning to use.

Marketing

Compared to European and American industries one of the major things that the Japanese aerospace industry lacks is overseas marketing capability this is why any venture into the commercial aircraft field would ideally require a foreign partner under an international co-operative set-up. Even if Japan were to provide technology and development funds, the domestic industry in the eyes of the world market would have only a secondary or subordinate role.

Furthermore, European and American manufacturers already produce aircraft which fit into all possible commercial categories and it would be most difficult for a newcomer like Japan to enter any of these markets alone.

British Aircraft, Fokker, Boeing, Douglas and Lockheed, all made separate proposals to Japan during 1970 and 1971 to jointly develop 200-plus passenger aircraft. The Boeing proposal was chosen later in 1971 as the most appealing and the easiest to accept. Mitsubishi was then manufacturing parts for the Douglas DC-10 and Kawasaki for the Lockheed L-1011, and both companies strongly urged the selection of the project of their prospective U.S. partner. The Japanese Government's advisory aircraft industry council not only liked the Boeing proposal but also found it was the best way to avoid choosing sides between Mitsubishi and Kawasaki.

Although the combined YX/7X7 project was originally to start in 1972, market conditions have since not warranted a go-ahead and Boeing is being most cautious. Although disappointed by the delays, the chairman of the Society of Japanese Aerospace Companies, Mr. Kiyoshi Yotsumoto, admits that Boeing's cautious position is understandable because of the huge size of the project.

At the recent Paris Air Show, Boeing announced that there was a strong possibility the 7X7 and another new project, the 7N7, will at long last soon be started. Japanese officials, however, are not quite so convinced that the long-awaited start is just around the corner. They have heard the same sort of news and had their hopes raised several times before, each time only to hear later that the project was going to be delayed.

Japan expects to have a 20 per cent. share in the YX/7X7 project. Original plans called for a 30 per cent. share, but this was reduced as a result of negotiations last year with Boeing based on an evaluation of domestic production capacity. However, this 20 per cent. has been the subject of complaints by the domestic aircraft equipment makers who claimed that it did not reflect their true development and production capacity.

While Japan's airframe makers would be able to participate in the joint design and development of the airframe in the joint project, the domestic equipment makers, having no experience in the international commercial market, would not be able to compete on equal footing with American companies in terms of development capacity and cost. Even given an equal chance, Japanese-made parts would have little hope of being used for the YX/7X7. Japan's aircraft equipment makers are adept at making quality products for the defence agency in small numbers at high prices but they have no experience at making large numbers of products at low prices and would have little chance of beating U.S. companies out of the competition.

Should, therefore, little or no Japanese parts or equipment be used in the YX/7X7 project, it would become a project not of the domestic aerospace industry but one for the airframe companies alone. However, building the shell only would hardly constitute the kind of knowledge-intensive national project that the Ministry of International Trade and Industry (MITI) originally had in mind for the YX project which it is promoting, and sponsoring, for the sake of the entire industry. Some government officials are saying that if the YX/7X7 is going to turn out to be only an airframe project for Japan, then the domestic industry will actually do no more than receive parts subcontracting from a foreign maker.

Offered

Meanwhile, the recently-nationalised British Aerospace group has offered to carry out joint production of the BAC-111 with Japan and collaboration on the development of the BAC-X-11. At the same time, Fokker-VFW has mentioned the possibility of Japan's participation in its super F.28 project. In both cases, Japan would be in charge of design and production of part of the airframe, with Japan being the centre of the Asian market for the new aircraft. In both cases, Japan would be considered an equal partner and there would be no need for Japan to pay a so-called adjustment fee, as in the case of the Boeing project, to make up for its so-called lack of expertise and know-how.

It is a well-known fact that MITI is subsidising the YX project being carried out by the Civil Transport Development Corporation (which represents all Japanese interests in the project). MITI has convinced the Government that the development of a commercial jetliner is vital to the future growth of the domestic aerospace industry, and has managed to receive at least the minimum necessary budget to continue supporting the programme. However, when the project gets its expected go-ahead in the near future and development costs reach their peak in two or three years, some people are worried whether or not the Government will really come up with Japan's full 20 per cent. share of the YX/7X7 development costs (an estimated Y60bn.).

Of course, all the Japanese share will not be borne by the government. The domestic industry is to foot one-quarter of the bills. However only the larger companies will be able to afford to make these investments and the parts and equipment makers will probably be able to pay very little of it.

While the ruling Liberal Democratic Party has given considerable priority to the support of Japan's aerospace industry, the Party has not been able to give the YX commercial transport project all the money it has needed. With a quick surge of expenses once the go-ahead is given, many people worry as to just how much financial support the government at the time will be able to give the project.

The domestic industry has already been stuck with taking care of losses and other responsibilities for the financially unsuccessful YS-11, which was also a so-called "national (Government supported) project."

Industry officials worry if the Government will actually meet all of its financial promises right to the end of the new project. The industry does not publicise this concern because the project has been proposed by MITI as a national effort. But still, they are concerned about the possibility of being stuck with the tremendously large development bills for a project for which they have no sure estimate of their return.

Participating, as a national project, in the joint development and production of the 7X7 with Boeing has considerable potential for the domestic industry, as most people must agree. However, putting all of its eggs in one basket is not the most advisable thing that the industry could do. In fact, the industry would do well to give serious consideration to another large-scale project with European or other American manufacturers.

One other major project would not only serve as good insurance, should the 7X7 be once again delayed or even cancelled, but it might also get Japan involved in a more equal development project such as the BK-117 helicopter agreement which was signed this spring between Kawasaki and Messerschmitt-Bolkow-Blohm.

Koji Hoashi

Steel under tension

EEL industry is despite its major orts to the EEC, ed to reduce ex-

The European as begun to talk on, although the stry for Interna- and Industry ot fear any con- als until the ECSC talks next Brussels. Mean- ill have to (a) s from the U.S. which could to an official uest for large- y restraint by producers, and financial plight so small- and teel companies. n side, the EEC y by then have Davignon Plan eel industry, and lieved in Tokyo all for restraint xporters would om M. Davignon

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es decide to ask int, it will not an is not living r commitments. 1977 it seems as orters are keep- the ceiling they erve earlier this ling applies to teelmakers who ledge to export tonnes to the t in 1976 and their actual ex- were about 1m. the first half of ted at 580,000 try sources.

industry is exports to the 1m. tonnes for nese producers orts in the July- arter because of of the yen, and conditions in ould not make e prices," says ve: "We would her officials in- cts are being t much smaller ticipated. One 'definitely less" es will be sent he three-month er predictions s.

big six steel- ing for an up- prices in the ore they con- l-quarter con- buyers, so they t from any rise aged under the "I am sure nch better for st," says Mr. adviser to y half-jokingly, in reference to the EEC Commission plan.

The EEC cannot objectively begrudge the big six steel companies for waiting until the last minute to conclude their contracts under the 1977 ceiling, especially if the volume falls short of that ceiling. But the mood in Brussels is, for better or worse, dependent on two other sets of trade statistics, one over which the big six have some control, the other, not.

The first is Japan's flow of steel to the non-EEC countries of Western Europe, notably Sweden, Spain and Switzerland. There are no detailed figures on the amount of Japanese steel "diverted" through the surrounding markets into the Community, but it became clear by late 1976 that this diversion was enormous. Although Japan's overall exports to the EEC declined by 1.5 per cent. in tonnage terms (13 per cent. in dollar terms), exports of steel to the rest of Western Europe increased from 2m. to 2.75m. tonnes, or up by more than a third.

Even allowing for substantial rises in steel consumption and restocking in the non-EEC countries, that sort of increase would not have been possible without some diversion into EEC markets. In the case of Sweden, for instance, imports of Japanese steel increased by a whopping 74 per cent. to 434,407 tonnes, and insiders guess that at least a quarter of the increase went on to the EEC. The big six steelmakers are under no contractual obligation to limit exports to these countries, but it was widely assumed in Tokyo and Brussels that there would be no increase in the volume of exports to non-EEC countries of Western Europe in 1977: and according to MITI, it now looks as if exports to "third" European markets will actually decline in 1977 (in large part owing to dull market conditions throughout Europe).

Second is the sum of steel exports from Japan's mini-mills (small- and medium-sized producers). There are about six or seven "major" mini-mills but the industry as a whole counts about 100 companies, and so far MITI has been unable to get them to agree on export restraint in the EEC market (despite repeated demands from Brussels). In fact, after the last round of Japan-EEC steel exports, which renewed the commitments of the big six, MITI called in several key company presidents from the mini-mill industry. Officially, no promises were made, but sources in the big six say that MITI suggested "that small producers cut their exports to the EEC by half in 1977."

Close scrutiny of industry statistics would indicate, moreover, that the small producers are actually improving (probably not of their own volition) on MITI's guidance. Estimates for the first half of 1977 put at about 100,000 tonnes the total amount of steel exported to the Nine from the small producers, and the big six expect the 1977 total to be just 200,000 or only one-third of last year's level.

If so, the EEC will have a hard time making its case for further export controls on the Japanese side. All told, the Japanese may directly export only 1.3m. tonnes of steel to the EEC in all of 1977, substantially less than the 1.6m. tonnes last year and 1.64m. tonnes in 1975. Moreover, if present prices continue to dominate the EEC steel market and the big six decide not to take up their full 1977 "allotment," then the year's exports could be appreciably smaller, and more in line with the 1m. tonnes exported in 1974.

If the EEC Commission does come under pressure to reduce Japanese imports further in 1978, those applying the pressure will presumably be the U.K., Belgium and Italy. Britain, in particular, is unhappy about the high level of special steel (especially stainless steel bar) imports from Japan, although the U.K. industry is apparently content with unofficial undertakings from MITI for sales in the latter half of 1977. The U.K. also recently announced a permanent dumping charge of £11 on imports of sections and angles from Japan, an action which MITI thinks will simply erase the 12,000 tonnes which small producers hoped to sell in the U.K. this year, although the gap may be bridged by switching the same sections and angles to another EEC country from the distribution centre in Antwerp. Otherwise, the U.K. is in no position to scream about Japan's exports: sales in the U.K. have fallen drastically from $189m. in 1975 to $81m. in 1976 and the trade has fallen to well below 1974 levels for both tonnage and dollar value.

Pinch

In 1977, all EEC steel producers are feeling the pinch at home as well as on the U.S. market where prices are high enough to let Japanese exporters succeed, but low enough to exclude European steelmakers. Certainly, European producers will take advantage of the slackened level of Japanese sales in the EEC this year, but the fear in Tokyo is that the EEC Commission may be cornered into asking for more concessions unless Europe's export prospects in the U.S. pick up between now and November.

The U.S. industry is resentful about the 33 per cent. increase in Japan's steel exports to the American market in 1976, even though it looks as though there will be a slight decline in volume this year. But the contention about diversion of exports from the EEC to the U.S. seems far-fetched on any factual assessment. In fact, the increase to the U.S. of about 2m. long tons is substantially larger than all of Japan's exports to the EEC, and is almost 100 times larger than the marginal drop in 1976 exports to the EEC by 25,000 long tons. Japan argues, furthermore, that compared with 1968, Japan's exports last year were only 10 per cent. higher to the U.S. but more than 500 per cent. higher to the EEC (and about 366 per cent. higher to all other regions).

Still, in a recent report adopted by the American Iron and Steel Institute (AISI), the U.S. industry makes a very detailed case against Japanese exporters who, it says, are forced to maintain high operating rates to protect their highly-geared financial position; and therefore are obliged to manipulate export prices with the sole objective of securing larger export markets. The AISI study implies in no uncertain terms that Japanese steelmakers have been shipping steel to the U.S. and selling it for less than the average production costs in Japan.

If the AISI arguments prevail in Washington, Japan will be in the dock to provide the U.S. industry with undertakings of the sort already given to the EEC. Hence Japan's intense displeasure at the prospect of being asked to make further concessions in Brussels. Instead, Japan would presumably like to scrap the unwritten agreement altogether and give U.S. producers one less matter to complain about. In doing so, Japan might also do away with a precedent which would allow no steel export increases to the U.S. over several years if Washington followed suit.

But the outlook is not bright, seen from Tokyo, for an end to the restrictions on exports to the EEC, not least because M. Davignon would have a harder time putting (or trying to put) the European industry back on its feet after 1977. So the prevailing strategy in mid-1977 on both U.S. and European markets is one of caution: MITI and the steelmakers want to show decreases in exports to both regions this year, and with those decreases, buy time until the markets and their domestic steel industries can see some light at the end of the recessionary tunnel.

D.R.

JAPAN AND EUROPE XVIII

The motor invasio[n] gathers pace

IN LATE 1976 the EEC Commission produced a study on the future of Europe's car industry which identified, in cautious terms, three major drawbacks for the industry: poor productivity, low capital spending on technological innovation and the Japanese. "Japanese car production will increase dramatically," according to the study, "and Japanese forecasts envisage an increase of 1.6m. and 2.3m. in annual production of all vehicles in 1980 and 1985 respectively over the 6.5m. vehicles built in 1974. (Moreover) Japanese production exhibits an exceptionally high level of productivity which enables the Japanese manufacturers to sell their cars at prices well below those of the European manufacturers. If these forecasts are correct, Japan will gain an important share of an expanding market. Competition with this country will be extremely difficult in the next ten years."

The Commission had little advice to offer the ailing EEC industry, and surprisingly little criticism of Japan's present level of exports to the Nine. But it did serve to remind the European makers of the longer-term objects.

Japanese car makers, for their part, are worried that the EEC is not exerting enough pressure on its member countries to keep their markets open. Already, Japan is committed to exporting to Britain only as many cars as would account for "less than" 10 per cent. of the U.K. registered vehicles, and there are still quota restrictions on exports to Italy, while exporters now fear some move by France to limit imports. And more important, Japan imports only one European car for every 20 it sells to the EEC.

According to a recent MITI response to Europe's trade complaints against Japan, "Japan's market share in France, the Federal Republic of Germany and other automobile manufacturing countries accounts for about 2 per cent. It stands a bit higher at 9 per cent. in the U.K., but Japanese exports to that country in 1976 remained *at the same level as in the preceeding year* owing to each automaker's voluntary efforts."

There have been no official promises from Japan to limit exports to the U.K. to a given number of cars, but the two sides worked out an understanding in 1976, which was renewed for 1977, which limits Japan's share of the domestic U.K. market to below 10 per cent. (of total registered vehicles). According to MITI, Japan's share of registered vehicles in the U.K. went up slightly from 9.2 per cent. to 9.3 per cent. in the first six months of 1976, so Japanese car makers think they still have room to manoeuvre.

The room may be smaller than Japanese car makers think. Statistics for January to May show exports of 62,363 to the U.K. market, up 17.6 per cent. on the same period in 1976 and appreciably higher than the average increase in car exports to the Nine (3.7 per cent.). The U.K. *industry* is *especially* worried about the rise in exports of commercial vehicles since last year, and it is not inconceivable that talks on the second matter could revive U.K. *demands for a more severe* voluntary restraint agreement on the part of Japan's producers. In that case, the U.K. may press for Japan to limit its presence in the British market to 9 per cent. instead *of 10 per* cent.

Failure

Now the U.K. industry's failure to stem the earlier tide of Japanese imports has been digested in other EEC capitals, notably Paris, and Tokyo's car makers have already come under pressure from MITI to cool *sales in France*. As a result, exports to France in the first five months of this year were 22,128, or 17.2 per cent. lower than the year-ago level. Still, that amount in five months is just about equal to all exports in 1975 (26,312) before the tripling of car exports in 1976 (to 73,906 units) which got the French industry so scared in *the first place*.

In Paris, officials admit that Japanese exports still claim less than 2.5 per cent. of the French market, but they are also adamant that France will never allow the same degree of market penetration that Japanese companies have wrested in Britain. MITI and the Japanese car makers have not been asked for a voluntary restraint pledge yet, and with exports to France only 35 per cent. of Japan's car exports to Britain, Tokyo is unlikely to agree anyhow. So Paris may instead decide to put up other "administrative" obstacles to keep Japan's share below, say, 5 per cent. of the French market.

By contrast, Japanese exporters have had less success with (and consequently fewer complaints against) the cars they sell in Germany, the largest single car market within the EEC. In 1976 Japanese cars were still about 1.7 per cent. of the cars on German roads, and the number of cars sold is well under half Japan's sales to the U.K., or just 54,600 units. Moreover, the 1976 figure was only 12 per cent. higher than exports *the previous year*. The Japanese motor industry is now trying much harder in the German market, not least because it is one of the few markets based on a currency which has not *lost much of its value in terms* of yen, so the makers will not have to adjust prices as they have to do in other EEC markets. Coincidentally, Mitsubishi Motor Company (makers of the *Colt*) *has begun a full-scale* sales effort in Germany and hopes to become the largest Japanese exporter to that country in a bid to imitate the success of Toyo Kogyo (makers *of Mazda cars*) on the French market. Both companies still take back seat to Nissan and Toyota on other European markets (Nissan's Datsun cars were the top British car import last year, trailed by Renault of France and Fiat of Italy), so they are pinning their EEC hopes on the markets largely left alone by the giants.

Japan has a substantial share of the car markets in Belgium (17 per cent.), the Netherlands (16 per cent.) and Denmark (15 per cent.), all countries without domestic car industries. Italy, on the other hand, still enforces its quota restrictions on Japanese car imports, which may not exceed 2,000 units in any given year, to protect Fiat.

Thus, the EEC splits between five *consumer countries which* want good, cheap cars (from Japan or wherever) and which take about half Japan's exports: and four car producers, one which says no to Japanese cars on principle (Italy), one which says Japan has taken too big a *share of the local market* (Britain), one which says Japan is trying to (France), and one which seems not to care (West Germany).

Faced with this overt ambivalence about the EEC's position, the Japanese car industry is understandably keeping a closer watch on national than on Community *initiatives*, even though Japan's own concessions in the car dispute have largely been made to the entire EEC so far.

Mushroomed

In fact, Brussels has tackled MITI on several occasions about the lopsidedness of the car trade between Japan and Europe. Last year, after all, Europe only exported 25,000 cars to Japan, the same as two years earlier and a bit less than in 1975. Thus, the ratio of cars exported from Europe to those imported has mushroomed from one-to-10 two years ago, to one-to-20 in 1976.

West Germany, moreover, did the best of Japan trade. In dollar terms, its exports of 22,000 vehicles to Japan equalled the $107m. that Japan earned on exporting its 54,594 vehicles to Germany. And Italy managed to balance its car trade by sending 1,358 Fiats to Japan.

Britain, for its part, only sent Japan 1,228 cars in 1976, or about half its exports in 1975 in numbers and worth around 25 per cent. less. And Japan bought only 400 French cars last year. Using these statistics, the EEC Commission and National governments have been pressing MITI to liberalise Japan's car imports to help restore a better balance in the *car trade, and the pressure has* met with a certain success. As MITI has suggested in print, "the automobile trade issue between Japan and Europe centres on the [...] prompting Japanese [...] European automobil[...] *concrete step* was [...] April 1, when Japa[...] inspect European ca[...] nical specifications [...] are shipped from J[...] teething problems [...] now meant little i[...] in practice. (Prev[...] check was only car[...] Japan, and usuall[...] shipment back to [...] modifications if [...] Japanese inspectors [...] also postponed enf[...] its 1978 car emissio[...] on imported cars, wi[...] three more years th[...] car makers to [...] stringent emissio[...]ments.

Still, there is no [...] the EEC ever balanc[...] with Japan in cars [...] outspoken Japanese [...] the poor showing of [...] French manufacture[...] marketing strategie[...] Until now, in fact, [...]pean cars have [...] through sole agents, [...] taken between 45 [...] cent. of the retail [...] car as their mar[...] result, turnover ha[...] artificially small and [...] *relatively expensi*[...] (hence Mercedes' [...] In recent months [...] been some attempt[...] the marketing of E[...] in Japan, notably in [...] British Leyland (pr[...] Survey). "For for[...] be sold in quantiti[...] it is necessary to d[...] the sole agent syst[...] competition in sa[...] says Mr. Hirosuke I[...] critic of Europe in [...] and former directo[...] the Finance Minist[...] and Tariff Bureau[...] conditions are met, [...] dent that the compa[...] cars with individual [...] will appeal st[...] Japanese consumer[...]

Chemical barrie[rs]

LAST JANUARY the European *Commission handed Tokyo a* "note verbale" asking it to review the procedures for authorising and testing imported chemicals. Little has been done since then to streamline the process, which has proved equally burdensome on the three major items which Europe sells to Japan, namely organic, inorganic and agricultural chemicals. But it is doubtful that the matter will ever emerge as a major point of contention between Japan and the EEC, precisely because the Europeans (and Americans) see the chief barriers as technical ones rather than no-tariff obstacles aimed chiefly at protecting the domestic industry.

In the case of Pharmaceuticals, moreover, there is a *precedent for improving the* import procedures. Since last October, in fact, Japan has no longer required duplication of pre-clinical tests done in Europe, a move which effectively cuts in *half the amount of time it takes* between the moment a licence to sell the drug is submitted to the time it is approved. Those in the industry attribute some of the increase in imports in 1976 to *this change in regulations,* though still a very small part of the total.

In fact, Japan's trade in chemicals and pharmaceuticals reflects how differently these industries have developed from other "key" heavy industries, notably cars, steel and shipbuilding. For unlike the latter, the chemicals sector has for years been open to outside investors, and almost as willing to import as to export. As such, it is the big sector about which Europe and America have least to complain. Still, chemicals account for about 7 per cent. of Japan's exports last year and were about 50 per cent. higher than imports, which increased to $2.66bn. So the trade remains largely profitable for Japan, and imports *last year* were still below the record level of 1974, despite a strong recovery from 1975.

On balance, though, European and American chemical companies show net gains on their business with (and in) Japan. In 1975, Japan imported $1bn. worth of chemical goods from the U.S. and sold $775m. there.

The one bright spot in relations with Europe, chemical exports to the EEC went up 15 per cent. last year, or much more slowly than imports from the Community (up 23.5 per cent.). The improvement in the balance, however, starts from the very sharp decline in trade both ways in 1975, although EEC exports to Japan *of $785m. stay at more than* half the reverse flow of $355m.

Though indirectly, the U.S. and EEC also benefit from Japan's surplus chemicals trade with the rest of Asia, and notably China, South Korea and Taiwan, who are, respectively, the first- to third-largest importers of Japanese chemicals world-wide (followed by the U.S., Indonesia and the Soviet Union). Joint ventures in Japan by most of the leading Western chemical companies have garnered a large share of that Asian market, although *the proceeds are ploughed back* to Europe on capital rather than trade account.

In fact, the chemical industry was among the first to be opened to foreign investors in the drawn-out process of liberalising Japanese investment regulations, and foreign chemical ventures (usually 50-50 arrangements) are, by and large, the most successful group of overseas investors now in Japan. Ventures by Dow Chemical, Du Pont and Monsanto are among the biggest foreign undertakings in Japan in size, and another U.S. major, Pfizer, was on the list of top ten joint venture money-earners.

Visible

Foreign ventures by leading EEC chemical companies are at least as visible as the American ones. ICI, for instance, has six ventures in Japan, including Teijin Agrochemicals which it holds equally with Teijin—and which recorded $4.6m. in profits in 1975 to rank fifth among all European ventures in Japan. It was preceded, in fourth place, by the 50-50 joint venture between Bayer of Germany and a group of Japanese investors, and Bayer, like Hoechst, have several other subsidiaries or *joint ventures for producing or* marketing specific ranges of chemicals.

European companies like Bayer, Ciba-Geigy and Hoechst have also been active in setting up *local* pharmaceutical companies, but here foreign ventures have had much less success, primarily because of strict supervision of chemical compounds, especially for over-the-counter drugs. (Ciba-Geigy is still in litigation over the sale of certain drugs in the late 1960s which allegedly caused an outbreak of SMON, or sub-acute myelo neuralgia.) Japanese companies have had more than their share of success in developing anti-cancer drugs, but on other fronts the market has been dull with [...] major Japanese cor[...] Takeda, Sankyo an[...] formly down last [...] leaders in devel[...] cancer drugs have [...] Taiho, Chugai and [...]

Nevertheless, fo[...] see ample room for [...] the Japanese mark[...] because research [...] Japan is generally [...] the amounts ear[...] *chemical majors in* [...] Europe. Hoechst [...] *for instance*, each [...] three times as m[...] estimated Y10bn. a[...] goes on research at [...] biggest Japanese sp[...] over, MITI reckons [...] per cent. of sales [...] for R and D, abo[...] European average. T[...] industry knows th[...] a bit alarmed in 19[...] U.S. company, She[...] built its own 10[...] factory to produce [...] discontinued the [...] whereby it subcon[...] production work to [...] company. The pla[...] pleted in December [...] the local industry t[...] major moves to s[...] owned manufactur[...] in Japan.

If the Japanese [...]cal industry was [...] Shering-Plough's [...] was outraged at pl[...] Chemical to go into [...] of producing ca[...] among other chemic[...] 100 per cent. subsi[...] would set up alongs[...]able joint venture [...] *With plans to bring* [...] advanced (and effici[...]logy for making c[...] Dow's proposal wa[...] be a threat to the e[...]ese soda industry, w[...] characteristically in[...] benefits from none o[...]mies of scale o[...] Japan's major expor[...] After first disallowi[...]ture then *approving* [...]ally, investment auth[...] given Dow time to [...] its move, and given [...] to promote mor[...] Japanese industry [...] with Dow if it eve[...]cides to go ahead wi[...]

There are, natura[...] for not building up [...]cities for heavy chem[...] Japan. *Above all*, c[...] are from a third [...] cent. higher than in [...] countries. This wa[...]vating factor in Unio[...] decision to forego [...] *investment* in heavy [...] in Japan and invest [...] instead.

هكذا من الأصل

More uncertainty ahead for textiles

By RHYS DAVID, Textiles Correspondent

represent, from Europe's point of view, a second-best position. The formula calls for the renewal of the existing agreement but includes the possibility that signatory States may take protective action to safeguard their national interests in the event of severe disruption. The EEC, after failing earlier to obtain wholesale renegotiation, was anxious for a strong clause of this nature to be agreed upon by all parties and it will now form the basis of the EEC's bargaining position in bilateral talks with supplying countries. In effect the EEC is now likely to seek to achieve in these talks much of what it had been hoping for from a complete re-negotiation of the MFA. If these bilateral talks are sufficiently successful it will then be prepared to go ahead and sign a renewal of the MFA in December.

The relatively tough position which the EEC has been adopting throughout the present talks has arisen from the damage which has already taken place within Europe's textile industry as a result of imports pressure. The Community's resolve has also been strengthened by evidence that any recovery from the deep recession of 1975-76 is being delayed much longer than had originally been expected.

Balanced

As a result of the first MFA agreement—the impact of which coincided very largely with the fall off in trade suffered during the past few years—a substantial shift in the pattern of textile supply in Europe has taken place. Whereas in fibre terms imports and exports balanced each other out in 1972, by last year imports exceeded exports by 500,000 tonnes in a total market of 4m. tonnes.

According to the European industry each extra tonne of imports is equivalent to one job lost: if present growth rates in imports were allowed to continue, it is argued, several hundred thousand more jobs would be lost by 1980, most of them among women and in the poorer parts of the Community. Furthermore, large sectors of the European textile industry would be threatened with complete extinction.

A quarter

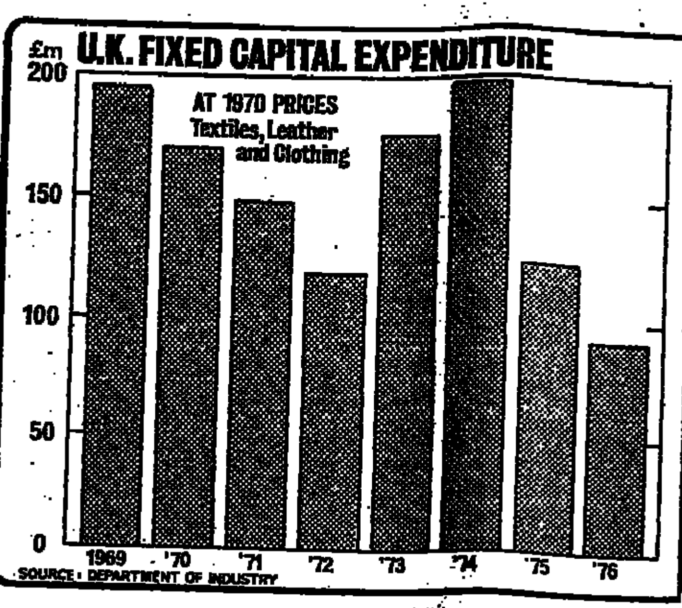
In the U.K. alone imports of textiles and clothing have increased from £200m. in 1970 to more than £1.6bn. last year and in terms of value now represent more than a quarter of final textile demand. Because they are concentrated at the lower end of the market the impact in weight terms is even greater, with imports now accounting for two thirds of final textile demand in the U.K. In Britain three out of every ten garments sold are now imported but in some sectors the proportion is much higher. In shorts and jeans imports have 70 per cent of the market—plus a sizeable share of the fabrics and yarn used by local manufacturers. On the Continent imports have achieved a similar degree of penetration in Germany and, though not as significant in France and Italy, overall import penetration in Europe is considerably greater than in the U.S.

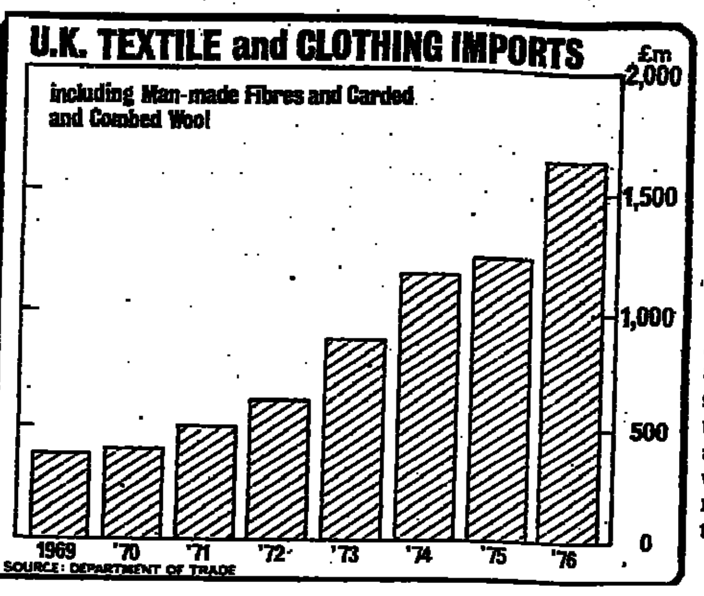
The problem has been particularly serious for fibre producers, which are affected as raw material suppliers, by the increased penetration into European markets of fibre, yarn, fabric and clothing. After losing more than £500m. in 1975 between them, most of the big European fibre producers—including ICI in the U.K.—instituted large-scale rationalisation programmes, but these only reduced rather than eliminated their losses last year, and further closures have been announced within recent months across Europe.

ICI has announced the closure of a fibre plant in Germany, while in France, Rhône Poulenc, and in Italy, Montedison, are both closing down capacity, and the EEC itself has asked member governments not to support further fibre plant construction with grants.

This further round of closures follows signs that the head of steam, which the industry was hoping would build up during 1977, has not come about. Though most of the big textile groups have been able, with the help of strong export performances, to produce good results for the past year, warning signals have already begun to emerge of a further levelling off in markets around the world. Sir Arthur Knight, chairman of Courtaulds, pointed out at the company's annual meeting last week that trading conditions in the last three months had been generally less satisfactory than in the previous six months, and that export volume had fallen in many areas in the three months to the end of June, compared with a year earlier.

Lancashire spinners have also recently warned the Government that because of weak demand and the continued pressure of imports there is a danger that 6,000 jobs in the sector may be lost or made subject to short-time working by October. In general, the textile industry reports that the summer lull started up to a month early this year and that many companies are now making for stock in the hope of a strong autumn upturn.





The fitful recovery of demand for textile goods in Europe is one of the reasons for the opposition by many of the leading overseas suppliers to any further restriction which would prevent their gaining access to the market. Though in the U.S. recovery has been stronger, the tough commercial attitude adopted by the U.S. Government in past negotiations has meant that imports have achieved a much lower overall degree of penetration.

Existing

The main opposition to the formula now agreed at Geneva has come significantly from a small group of countries—Brazil, India and Egypt among them—which are still building up textile exports and which now stand to lose out if limitations are placed on their rate of growth. By contrast, the existing large-scale supplies such as Hong Kong and South Korea appear to have agreed to the concept of using bilateral negotiations to see how far European demands for greater control can be met.

The onus will now pass to the negotiators at these bilateral talks and some compromise designed to ensure the continued survival of the European textile industry, while meeting the aspirations of developing countries, seems certain to be reached.

For the EEC, the bilateral negotiations are likely to turn out as yet another test of the cohesion of the Community itself, for the stresses and strains within the textile industry in member countries will almost certainly lead to demands for unilateral action by individual governments if the Commission appears not to be taking a strong enough line.

The French recently prompted the EEC into action to restrict certain sensitive textile items on a Community basis by announcing their own plan to invoke GATT Article 19 covering market disruption. With elections pending and social and political unrest near the surface again, the French would almost certainly be tempted to act independently if the Community line appeared to be wavering.

Similarly the U.K. Government is now under pressure again from individual sectors such as cotton spinning, to introduce controls on imports, in advance of any agreement which might emerge during the rest of this year from the MFA talks.

Middle ground

The basis on which these talks will now move ahead has provided a breathing space, however, staving off the introduction of protective measures by the various participants which might have happened if it had not proved possible to find middle ground between the European demand for renegotiation and the insistence of the developing countries and the U.S. for the renewal of the MFA as it stands.

Attention is now likely to switch from Geneva for the next few months to Brussels where the most important of the bilateral negotiations—those involving the EEC, are likely to be held. The participants will at least know what the stakes are: in a final statement, Mr. Oliver Long, GATT's Director-General, urged his members to work hard for agreement. Failure, he warned could be a signal for a general disintegration of world trade.

Letters to the Editor

... the ...

...Wainwright.

...mbard's article on ...bureaucracy (July ... Jones gives details

troduce a system of self-assessment, currently in use in the U.S., Canada, Sweden and Australia.

Statistics extracted from a recent publication on this subject are illuminating and show, as one expects these days, that our

Number of employees in revenue authority (000)	Population (m.)	Number of Revenue employees as % of 000 population	Approx. number of returns processed (m.)	Public administration costs as % of tax collected
70.7	56	1.3	20	1.71
71.8	210	0.3	80	0.48
14.6	23	0.7	11	0.91
8.0	8	1.0	5	1.00

...s increase in the ...staff (in addition ...ments).

...which we could re-...nue staff is to introduce ... administration costs are far too high.

T. A. Wainwright.
Pippins, 8, Hermitage Drive, Twyford, Berks.

... paper

public should be given what it has long been entitled to receive, namely, a satisfactory explanation of the inter-relationship between productivity, pay, prices, profits and capital investment, and the manner in which these determine our levels of employment, standard of living, health, housing, education, social services, etc.

Such a mission might be best accomplished by an independent group of responsible citizens (including representatives of labour, industry and Parliament) which, united in the public interest, would be capable of explaining the relevant facts in terms that were acceptable and clearly understandable by all, and which would lead to conclusions that convinced because they made good sense.

Charles Redstone.
Sobranie House, Chichester Road, N.9.

Compulsion to cure inflation

From Mr. D. Trigwell.

Sir,—I suggest that those accountants who agree that the main task of the profession is to lead the fight against inflation rather than account for it, should resign from their respective professional organisations, as I have done. We might then be in a suitable position to form a new accounting body with the declared aim of applying absolute financial rectitude to all accounting matters.

Governments the world over must be compelled to adopt sound financial policies and it is within the competence of the accounting profession to provide that compulsion. For, if accountants cannot cure inflation, no one can.

D. A. Trigwell.
57, Murray Road, Northwood, Middlesex.

Prices and the EEC

From the Chairman Richmond Young Conservatives.

Sir,—Mr. Wistrich (July 21) echoes the attempts of Mr. Tugendhat, one of the EEC Commissioners, in trying to explain away the impact of the Common Agricultural Policy by saying that other prices have also risen.

The choice of August, however, as the starting point to illustrate price-rises of fruit, vegetables, tea and coffee (not covered by CAP) is disingenuous to say the least. Every housewife knows that fruit and vegetable prices fluctuate seasonally. The price of old potatoes, for example, drops through the autumn and winter while the new potatoes arrive on the market in the spring at a higher price. Comparison of these prices over a period short of a full year is bound to be misleading.

While the full panoply of EEC regulations with threshold prices, sluice gate prices, target prices and intervention prices may not be applied it is not true to say the EEC has no effect on the price of our fruit. The Common Market's common customs tariff now applies to our imports of fresh fruit that formerly were shipped to us in quantity of high quality produce from Australia, New Zealand and South Africa. The old arrangement—before joining the EEC—was that these southern hemisphere countries supplied us with the product of their growing season (March to July) when fresh home produce was not available.

Mr. Wistrich must know that commodities like tea and coffee are subject to extreme fluctuations in price but never move in the same direction for more than a year or two. A crop failure in an important growing country such as Brazil (coffee) causes shortage with a resulting rise in price which lasts until another, or perhaps another two, growing seasons have passed. These price rises lead to increased plantings and the additional supplies of the crop cause a reversal of the price rise after a period. Witness the price of sugar: it went through the roof three years ago and now it is on the floor so far as the freely traded world price is concerned (not of course the EEC regulated price). Tea and coffee prices on the commodity markets are already coming down. But EEC prices never come down.

Mr. Wistrich also seeks to suggest that the effect of CAP is disinflationary since the EEC agreed to increase prices controlled by CAP by 3½ per cent. or one-third of the average EEC rate of inflation. He omits to mention the big disparities in prices for food between the EEC and the world to-day. There are abundant supplies of cheap food available on the world market.

To increase further what are already artificially high prices must contribute to inflation, particularly for Britain which imports over 50 per cent. of her food. The truth is that vested Continental interests prevent any reform of the ridiculous CAP. Our rise in exports to the EEC countries has been greater than the rise in our exports to the rest of the world since the war and entry into the EEC has (surprise!) not changed this.

What has changed is that from a position of, almost, balance of payment equilibrium we now have about a £2.3bn deficit—our total deficit since joining being £8.3bn. In the circumstances it is a wonder our economic condition is not worse than it is; fortunately, however, we enjoy surpluses in other places.

Peter J. Dul.
13 Heron Road, Twickenham, Middlesex.

Control of prices

From the Director National Consumer Council.

Sir,—If all manufacturers take the defeatist attitude of the director-general of the Food Manufacturers' Federation on prices (July 20) heaven help the British housewife (AND the economy). Mr. Coffin says that nearly three-quarters of the selling price of the products sold by members of his federation is made up of costs of raw materials and bought-in packaging over which they have "no control."

If everybody simply accepts—without looking for alternatives—that any price rise in supplies is beyond control and has to be passed on to the consumer, there wouldn't seem to be much hope of getting the rate of inflation down.

John Hosker.
18, Queen Anne's Gate, S.W.1.

Qualifications for directors

From Mr. J. Chudley.

Sir,—I would take issue with Mr. Hutchinson (July 20) over his use of the emotive word "trappings" on the subject of non-executive directors. In any profession "accreditation" by an approved body is necessary confirmation to the world that the professional's unbiased peers consider him to be a suitable person to follow their profession and can vouch for his experience, judgment and independence in that profession.

Only in the profession of company director is the world in general and shareholders particularly asked to accept, without confirmation, the judgment of a director's interested colleagues.

John Chudley.
Associated Non-executive Directors,
Grosvenor Gardens House, 35/37, Grosvenor Gardens, S.W.1.

Bases for decision

From Councillor Brian Smith.

Sir,—West Midlands County Council manages a pension fund of about £140m. The investment panel has a wide range of advisers, including merchant bankers, stockbrokers, estate agents, and actuaries. The elected members are left to make the difficult choices, such as should we sell Burmah Oil, and to agree to the overall policy of the fund.

Now, it seems that we have been overlooking an important analytical tool. Your reporter in "Society To-day" (July 12) dealing with TV pictures of the crowd at Grunwick, says, "... if one noticed how young the faces were, and how rare was the thin, pale, unsmiling profile of the true fanatic. ..." The panel would find it very useful to be able to differentiate between the thin, pale, unsmiling asset-stripper and the jovial profit maker, or is it the other way around? If there is a society of investment physiognomists will you please send details to our county treasurer. The investment panel could then have a most useful addition to the advisers; when going through company reports the existing advisers could tell us about the figures and the new chap about the faces.

Brian Smith
(Labour Group secretary),
County Hall, Birmingham.

Indexed tax reliefs

From Mr. W. Cowburn.

Sir,—Now that personal tax reliefs are to be indexed, may we hope that base values for capital gains tax will be treated in the same way and that the principle will be incorporated in values assessed for any wealth tax? It is surely immoral for a Government to be able to avoid the consequences of its own mismanagement in holding currency values stable.

W. G. Cowburn,
William Cowburn, Bers and Bray.
16, St. Georges Road, Lytham St. Annes, Lancashire.

To-day's Events

GENERAL

Provisional unemployment figures for July.

Parliamentary Liberal Party considers renewal of its pact with Government.

House of Commons statement on Government's plans for devolution, and publication of White Paper outlining difficulties involved in separate revenue-raising powers for Scotland.

EEC Foreign Ministers end two-day meeting, Brussels.

CBI Economic Situation Committee meets.

Price Commission quarterly report.

British Gas annual report.

Windscale public inquiry continues, Whitehaven.

Conference on "Collective Bargaining—Practical Implications of the CBI proposals," Royal Lancaster Hotel, W2.

Sir Frank Taylor, founder and managing director, Taylor Woodrow Group, is guest speaker at Westminster Chamber of Commerce lunch, Hyde Park Hotel, SW1.

Mr. John Methven, CBI director-general, presents prizes to winning team in National Management Game organised by Financial Times, Institute of Chartered Accountants in England and Wales, and International Computers, Skinners' Hall, EC4.

Commonwealth Law Conference continues, Edinburgh.

Professional Association of Teachers' conference continues, York.

Sir Robin Gillett, Lord Mayor of London, receives president of Japan Shipbuilding Federation at Mansion House, EC4.

International Cricket Conference, Lord's.

PARLIAMENTARY BUSINESS

House of Commons: Debates on Select Committee report on the conduct of Members; and on Joint Select Committee report on sound broadcasting. Motions on African Development Fund Order; on Assistance for House Purchase and Improvements Order; and on Members' Allowances, Salaries and Pensions.

House of Lords: Motion to approve Ministerial and Other Salaries Order 1977. Commons amendments to Administration of Justice Bill. Commons message on Water Charges Equalisation Bill. Debate on report of Select Committee on Commodity Prices.

Select Committee: Nationalised Industries (sub-committee B). Subject: British Waterways Board. Witnesses: South Yorkshire County Council (4 p.m., Room 8).

COMPANY RESULTS

AT Industries (half year). Davy International (full year). Illingworth Morris and Co. (interim figures only). National Westminster Bank (half year). Taylor Woodrow (half year).

COMPANY MEETINGS

Attwood Garages, Wolverhampton, 12. BET Omnibus Services, Stratton House, Piccadilly, W, 3. Dom Holdings, Great Eastern Hotel, EC, 12. Hargreaves Group, Wetherby, West Yorkshire, 12. Northern Goldsmiths, Newcastle-upon-Tyne, 10.45. Norwest Holst, Carlton Tower Hotel, SW, 11.30. Sketchley, Hinkley, Leicester, 3. Sterling Industries, 2 and 4, St. Mary Axe, EC, 12. Transparent Paper, Cafe Royal, W, 12.30. UDS Group, Savoy Hotel, WC, 12.30. Warren (James), Winchester House, EC, 11. Westpool Investment Trust, 120, Cheapside, EC, 2.30.

LUNCHTIME MUSIC

Margaret Phillips gives organ recital, St. Lawrence Jewry next Guildhall, EC2, 1 p.m.

SPORT

Racing: Goodwood meeting opens, West Sussex (until July 30). Golf: Women's International Stroke-play Championship, Woodhall Spa. Tennis: British Junior Championships, Eastbourne.

COMPANY NEWS + COMMENT

Racal forecasts more overseas growth

FORECASTING another record year for radio communications and electronic instruments group, Racal Electronics, Mr. Ernest Harrison, the chairman, says a sales target of £200m. has been set, including £160m. overseas.

He tells members in his annual statement that as a result of the acquisition of Milgo Electronic Corporation, of Miami, Florida, for £37m. and the growth in the other areas of operations, radio communications will represent some 65 per cent., against 80 per cent., of Racal's total business in 1977-78.

But he points out that Milgo does not, at the moment, enjoy very good mragins. The directors expect to improve them during the current year, with further progress to follow.

As reported on June 24, group pre-tax profit rose from £19.65m. to a record £32.71m. for the year to March 31, 1977. The net dividend total is lifted from 1.552p to 1.779p per 25p share, the maximum permitted. A one-for-one scrip issue is also proposed.

On a CCA basis profit would have been reduced by £3.53m.

Following the £14.7m. one-for-eight rights issue in connection with the Milgo acquisition the directors intend, with Treasury approval, to enlarge the net dividend total for the current year from 1.779p to 7.76p a share—or from 0.8895p to 3.88p as adjusted for the proposed capitalisation.

Turnover, including that of Milgo after acquisition, rose from £79.97m. to £122.26m. of which more than £74m., or 60 per cent., represented direct exports.

The group's total funds in the year advanced from £19.92m. to £75.98m. and working capital was up from £11.69m. to £25.4m.

Racal agreed this month to acquire the total share capital of Hellermann Cassettes, part of Bowthorpe Holdings, for £825,000.

Following withdrawal from the intended bid for Ultra Electronic Holdings, the shares previously acquired in that company were sold to Dowty Group for about £2.6m., on which the pre-tax profit was £1.03m.

Mr. Harrison says that an increase in the borrowing limit from £83.5m. to £123.4m. is proposed. While the directors have no immediate plans to increase group borrowings they are, as a matter of policy, seeking suitable acquisitions, he adds.

The group is now among the leading 50 exporters in the U.K., the chairman says. For ground radio communication equipment, its major activity, exports by group companies continue to account for some two-thirds of the national total.

Racal-Tacticom, the holding and marketing company for all group interests in military tactical communications, exported more than £37m., representing 86 per cent. of that company's total output.

During 1976-77 Racal won a contract in Latin America worth a record £8.5m. for radio communications and associated equipment. The directors believe that there is a great deal more business to come from this area, Mr. Harrison comments.

Racal Communications increased exports to £16m.—74 per cent. of its total sale.

Meeting, Charing Cross Hotel, W.C., on August 16, at 11.45 a.m.

Mr. Harrison has reduced his holding by 35,000 shares, worth, at yesterday's market price of 436p, some £1.5m.

The latest report and accounts shows that the personal holding of Mr. Harrison amounted to 477,395 shares as at March 31, 1977.

EDINBURGH AND GENERAL STATUS

In the report of the directors of Edinburgh and General Investments which was recently issued with the accounts of the company for 1976, under the heading "close company" it was stated that in the opinion of the directors the company was now a close company. It has subsequently ben ascertained that the company is not a close company, nor was it at December 31, 1976.

INDEX TO COMPANY HIGHLIGHTS

Ebor cuts payout to 151p

IN THEIR half-yearly report the managers of Ebor General Fund inform shareholders that liquidity has been substantially reduced, from over 16 per cent. to under 7 per cent. of the fund's assets. Overall there has been little change in the structure of the portfolio. The half-yearly distribution amounts to 61p per 100 units held, as against 79p at the corresponding period last year. This brings the total distribution for 1977 to 151p per 100 units, as against 157p last year.

● **comment**

Ebor General's reported distribution for 1977 is likely to unnerve unitholders; but in fact a further distribution is to be made once the fund, which belongs to the Save and Prosper stable, has been merged with Ebor Capital Accumulator and Save and Prosper U.K. Equity Fund. The new master fund, U.K. Equity, is likely to be paying some 50p per 100 units to Ebor General unitholders shortly after the merger takes effect, on August 1. In the meantime the fund has been shrinking—there were net redemptions of £31,730 in the half-year to June 1—and the portfolio has been subject to some extensive bed-and-breakfast operations in an attempt to reduce any tax liabilities arising on the merger.

Brady almost halved

THE PROFITS decline continued in the second half of the year to March 31, 1977, at Brady Industries and, after being behind from £309,008 to £260,000 at midway, the pre-tax figure finished nearly halved at £483,876, compared with £951,393.

On earnings per 25p share of 6.4p (12.2p) the dividend total is held at 5.6625p with a final payment of 3.9125p net.

	1976/77 £	1975/76 £
Turnover	16,649,097	15,349,032
Pre-tax profits	483,876	951,393
Tax	245,612	502,405
Net profit	238,264	448,988
Extraordinary credits	107,259	—

Priest Marians on target

A turnround from a loss of £11,027 to a pre-tax profit of £24,389 is announced by merchants Priest Marians Holdings for the year ended April 30, 1977.

When reporting a profit of £15,100 (£2,500 loss) for the first eight months, the directors forecast a year-end figure of around £19,000 and realised surplus on investments of about £3,300.

Turnover for the year was steady at £530,177 (£525,379). Tax takes £8,538 (£1,873 credit) and there is an extraordinary provision of £6,990 (£9,960).

There is an interim dividend of 6.2p gross per £1 share, in lieu of final. Last year 1.53846p gross was paid.

The directors have commissioned a valuation of the company's sole property, Oakhill House, Kent. The chartered surveyors have stated that the current open market value of the freehold interest in this property with vacant possession of the whole is in the order of £155,000—the book value on April 30, 1976 was £100,000.

The company has made an unconditional offer for the 35,816 Ordinary shares and the 44,388 Preference shares in Miro Finance Company not already owned by Mr. and Mrs. Rosenbaum and persons acting in concert with them.

The terms are, for each Ordinary share, 62p cash and for each Preference share, 35p cash.

Miro Finance Company is wholly-owned by Mr. and Mrs. Rosenbaum. Offers close on August 22, 1977.

Kwikform little changed

FOR THE year to April 30, 1977, scaffolding manufacturers Kwikform reports pre-tax profits of £1.43m. This compares with £1.52m. for the previous 53 weeks and means that on an annualised basis profits show little change. At midway an advance from £486,000 to £399,000 was reported.

Including extraordinary credits yearly earnings per 20p share are 29.5p (19.3p) and without such credits 23.7p (19.7p). The net dividend total is raised from 4.46p to 4.81p with a final payment of 3.41p.

	Year 1976-77 £000	53 wks. 1975-76 £000
Turnover	16,223	12,838
Share of associate	180	356
Pre-tax profit	1,433	1,525
Tax	332	548
Extraordinary credit	*292	—
Retained	1,241	742

* Profit on sale of a portion of the holding in Kwikform Industries Australia. The shares were sold when the associate company offered its shares to the public.

● **comment**

Kwikform's profits fall of 4 per cent. would have been far worse but for rapid growth in developing countries. The traditional markets in the U.K. and Australia were hit by low building activity so that demand for scaffolding was slack. This was aggravated by a 21-week strike in Australia where total profits fell by 26 per cent. Following the stock market flotation of that associate, Kwikform's stake has fallen from 42 per cent. to 32 per cent. so the figures are not comparable. But these setbacks were nearly offset by the search for profits in the Middle East, Africa, and the Far East where turnover nearly doubled—their aggregate contribution now accounts for half total trading profits, against less than 7 per cent. only two years ago. This gives some cause for hope especially since tax rates there are so low—a point that helps explain Kwikform's overall 16 per cent. tax rate this year (together with SSAP 9). After the previous year's excess dividend payments, last year's total is up by 7.8 per cent. for a yield of 8½ per cent. at 90p.

Neepsend second half recovery

WITH A second half advance in taxable profit from £467,000 to £708,000 steel and steel product manufacturers Neepsend ended the year to March 31, 1977, down £191,000 at £1.06m. Sales were up £1.88m. at £18.51m. but the export content declined from £3.02m. to £2.7m.

Mr. Stanley Speight, the chairman, states that there is still no sign of any general upturn in steel demand and the special steels industry in particular continues to suffer from foreign dumping. However, other activities in the group are seeing some improvement in trade and are achieving higher sales.

Prospects for the current year depend on a cut in inflation and the Government maintaining more control on expenditure, he says.

Stated earnings per 25p share were down from 5.26p to 3.98p and the total net dividend is unchanged at 2.93125p with a final of 2.09375p.

The company has acquired Jessop Steel Company of Canada, which became a wholly-owned subsidiary on May 1, 1977, and is now trading as Neepsend Steel of Canada. This will increase the group's market in Canada for special steels and provide a further base for expansion in North America, Mr. Speight adds.

	1976/77 £000	1975/76 £000
Sales	18,510	16,635
Home	15,815	13,611
Export	2,695	3,024
Trading profit	1,443	1,472
Group	1,186	1,296
Share of assocs.	257	176
Investment income	43	38
Interest	429	282
Pre-tax profit	1,057	1,228
Tax	516	533
Net profit	541	715
Extraordinary credits*	9	31
Attributable	550	746
Dividends	398	398
Retained	152	348

*Net profit on realisation of investments and properties.

● **comment**

Without the 64 per cent. rise in interest charges—the result both of high rates of interest and stocking up in molybdenum steels—the downturn in Neepsend's profits would have been minimal. After the blaving of profits and margins in the first six months this represents a strong recovery. Associates contributed a full quarter of group profits, but the second half was boosted by a slow down in cost increases and there were marginal volume benefits. The effect was to bring trading margins up from the half time 5 per cent. to 6.4 per cent. for the year (7.8 per cent. in the previous year). The steel side is still gloomy and expected to remain so, but the company is looking for increased profits this year on the back of strong forward orders for cutting and machine tools, and a pick up in demand for DIY tools. However, the level of prospective profits is still anyone's guess and there will be no dividend increase untill cover is above 1.3 (around £1.2m. pre-tax). In the meantime, the 12.2 per cent. yield at 39p is both consolation and caution.

Similar profits seen by Carclo

So far in the current year, Carclo Engineering is on target for budgeted profits similar to the record figures of 1976-77, reports Sir Robin Brook, chairman, in his annual statement.

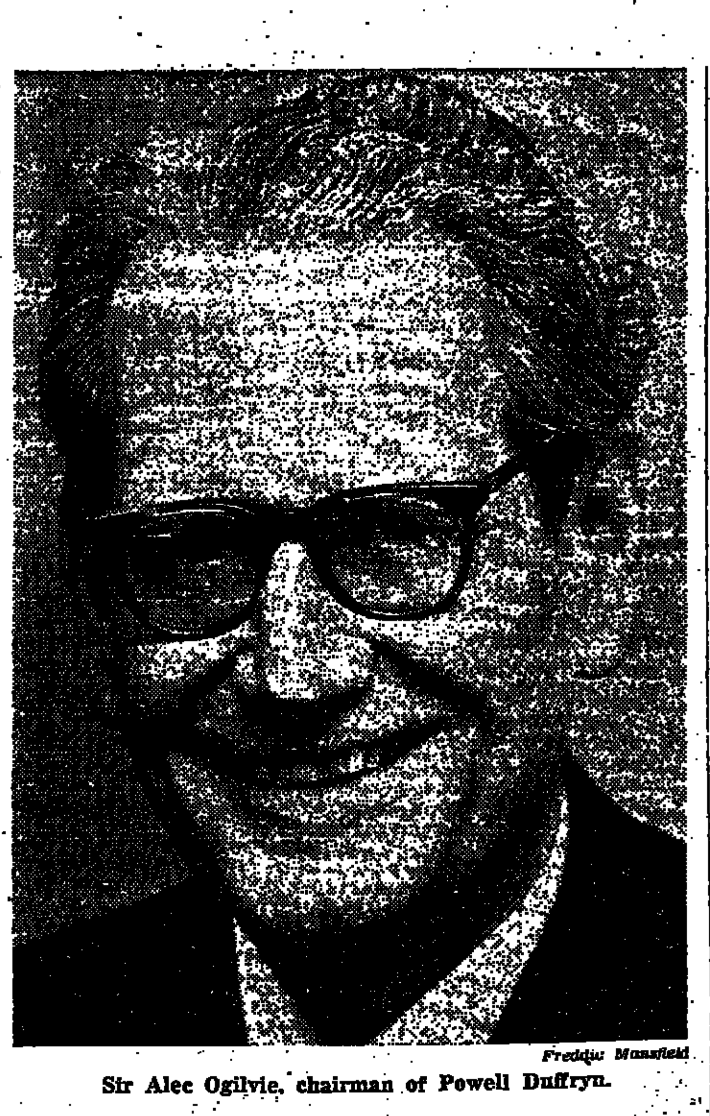
As known, for the year to March 31, 1977, the card clothing division was responsible for most of the increase in group profits before tax by earning £375,000 (£106,000) with Card Clothing and Belting, Horsfall Card Clothing and Horsfall and Bickham all contributing. About 27 per cent. of external sales were exported and the directors are continuing efforts to increase this proportion.

Carclo had built up a 22.9 per cent. holding in the English Card Clothing Company. The engineering division had a difficult year and the profits before tax were £571,000 (£502,000).

A statement of source and application of funds shows a decrease in liquid resources of £221,000 (£510,000 increase).

Andrew Weir and Company holds 8.75 per cent. of the Ordinary.

Meeting, Leeds, August 18, 3 p.m.



Freddie Mansfield

Sir Alec Ogilvie, chairman of Powell Duffryn.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Brady Industries	3.91	Oct. 3	3.91	5.66	5.66
Davenport Knitwear	3.24	—	2.57	3.24	2.57
Drayton Far Eastern int.	10.3	Aug. 26	0.18	—	0.8
Graig Shipping	11.49	Sept. 17	10.36	16.49	15.36
Kwikform	3.41	—	3.06	4.81	4.46
Y. J. Lovell int.	1.5	Oct. 1	1	—	3.48
Manchester Garages int.	0.43	Aug. 26	*0.18	—	*0.68
Neepsend	2.09	—	2.09	2.93	2.93
Priest Marians int.	§6.2	—	1.54	6.2	1.54
U.C. Investments int.	10	Sept. 16	10	—	30

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ To reduce disparity with final. § In lieu of final—gross throughout. ¶ South African cents and gross throughout.

11% first half rise for Lovell

WITH a substantial improvement in timber results more than offsetting a downturn in construction, pre-tax profit of Y. J. Lovell (Holdings) was lifted by 11 per cent. to £711,000 in the first half to March 31, 1977, and the directors expect a "reasonably satisfactory" year.

On sales up from £23.42m. to £25.61m., trading profit rose by 16 per cent. to £711,000 in the first six months.

Turnover of construction and allied trades expanded from £19.53m. to £21.47m., but profit slipped from £411,000 to £327,000. Timber group turnover increased from £3.23m. to £4.71m. and profit from £201,000 to £384,000.

The directors have decided to introduce an interim dividend with a net payment of 1.5p per 25p share. Last year 3.48p was paid from record profits of £1.33m.

The directors report that the overall improvement in the first half was achieved despite the adverse effect of poor weather on construction progress. The timber section is maintaining its first-half momentum and the construction companies are now making up ground lost in the winter.

As predicted, Lovell is working to a declining order book in the U.K. The protracted dispute between Portsmouth Council and a group subsidiary has been satisfactorily settled without any significant adverse effect on the first-half trading figures.

Manchester Garages well up midway

On trading profit ahead 48.3 per cent. from £173,847 to £257,572 main Ford dealers Manchester Garages expanded taxable profit by £64,905 to £204,257 for the six months to June 30, 1977. Sales were up from £4.95m. to £5.78m.

Mr. R. A. Stoodley, the chairman, states that the truck dealership profit showed increase.

The net interim dividend is raised to 0.425p (0.175p on capital increased by one-for-one scrip issue). Last year payments totalling an adjusted 0.675p were made from record profit of £268,286.

BARCLAYS GROUP CHANGES

Reorganisation of the fund management services of Barclays Bank has now been completed, with the creation of a new holding company, Barclays Unicorn Group, to control and streamline the operations of the unit trust management company, Barclays Unicorn, the offshore fund management company, Barclays Unicorn International, and Barclays Life Assurance.

A spokesman for the group said yesterday that the reorganisation would provide for the greater integration of the life assurance subsidiary, and would increase the competitiveness of Barclays' services.

Scotcros heading for good year

SALES AND profits for the first quarter "comfortably ahead of last year" and detailed discussions for investment in continental companies with a large degree of commercial and technical compatibility were disclosed yesterday by Mr. R. W. Alexander, chairman of Scotcros, which operates in packaging, food and transport equipment.

He also revealed that sales of roll-over protection structures, being produced under a licensing agreement with a U.S. company, were now at levels not expected until 1978.

Mr. Alexander said: "Sales and profits for the first quarter are comfortably ahead of last year and the outlook for the remainder of this year is good."

And in a reference to Scoteros S.A. in Brussels, he added: "Working with Compagnie Europeenne Pour Le Developpement Industriel Et Financier, we have carried through a most exhaustive study of possibilities for our business in Europe. As well as discovering openings for direct trade, we have identified one or two possibilities for development by local investment in companies with a large degree of commercial and technical compatibility.

Davenport Knitwear

After being up from £153,500 to £170,500 at halftime, profit of Davenport Knitwear advanced from £327,243 to £433,299 for the year 1976, subject to tax of £223,503, compared with £180,075.

Dividend for the year is 3.23857p (2.574p) net.

NEW LIFE BUSINESS

Sun Life income falls

Sun Life Assurance saw its annual premium income in the first six months to June 30, 1977, fall to £9.3m. from £10.4m. in the corresponding period last year. This drop reflected a falling off in the regular savings market and the reduced level of activity in the mortgage market.

However, single premium business nearly doubled over the period to £11.6m. from £6.2m. in 1976. This increase arose from buoyant guaranteed growth bond sales, an improvement in annuity business used to top-up pension arrangements and a higher level of school fees trust activity. The newly formed subsidiary Solar Life, launched earlier this year to transact linked life business, wrote £0.6m. of single premium bonds.

Scottish Amicable Life Assurance Society reports that new annual premiums arising from all U.K. business rose by 30 per cent. in the first half of this year to £7.62m. from £5.85m. in the corresponding period last year. Single premiums were 75 per cent. higher at £2.76m. (£1.58m.).

These increases were largely attributable to the success of the company's new self-employed pension plan, Flexipension, introduced last November. The number of self-employed pension policies issued nearly quadrupled to 6,500 from 1,690, with annual premiums increasing to £1.97m. from £0.42m., and single premiums jumping to £1.68m. from £0.42m.

The individual pension contract for directors and other key executives also proved a best seller over the period. New annual premiums rose by nearly one-half to £1.4m., with new basic sums assured amounting to £28.9m. (£17.4m.).

United Kingdom Provident saw a substantial improvement in new business in the first half of this year, with total new premium income increasing by 40 per cent. to £4.49m. against £3.31m. in 1976. New sums assured rose by 69 per cent. to over £125m.

The company reports that these greatly improved results were the direct result of an increasing awareness by the broker market of the competitiveness of the whole range of products. In particular, interest has centred on the company's self-employed pension plan and individual pension plan. Under the former, annual premium income over the period more than doubled to £0.93m. (£0.41m.), while single premiums also advanced to £0.75m. (£0.62m.). The individual pension plan, which was relaunched last December, received £0.9m. of annual premiums.

ISSUE NEWS AND COMME

Powell Duffryn raising £6.6m.

Powell Duffryn intends to raise around £6.6m. by way of a one-for-five rights issue of Ordinary shares at 135p per share. The group expects to recommend dividends in respect of the year to March 31, 1978 totalling 10p net (7.8p previously). The group makes no official forecast for the current year but states that it has started well and that management accounts show trading profits for the first three months to June 6 significantly greater than for the corresponding period.

The new shares which will be offered to shareholders registered on July 18 will not be eligible to receive the final dividend for the year to March 31, 1977 but will rank pari passu in all other respects with the existing shares.

The group plans capital expenditure in the current year of about £20m. with investments in present spheres of activity including the engineering division's U.K. capacity, new oil and chemical storage installations overseas, and in building bulk carrying ships.

The group feels that it has adequate resources to meet its investment programme and its working capital requirements but believes that the expansion of the business will result in increased demand on financial resources. It therefore thinks it is desirable to add to these resources and also to widen the equity base of the company.

Dealings in the new s expected to start on and the last day for ac is August 19.

The issue has been un by J. Henry Schroder Co. and brokers are Hoa

● **comment**

Powell Duffryn has n need of extra funds; accounts showed net deposits of £2.1m. and on the day to 172p soley a dividend raisin taking in debentures gearing was equal to o cent. of shareholders' although the market well to the promise of cent. hike in the divide day with the shares cl soley a dividend raisin The 146 per cent. jump expenditure planned current year may well the group's funding but in the longer term expansion programme cent. the increase capital requirements co siderable. In the mea ex-rights yield of 9 per a reasonable return an that the progress of th ing and oil and chemi divisions is more than for downturns in pollut and building services should be heading fo year profits of around would cover the prospe dend roughly twice.

Sandwell £20m. 13% stock

The Metropolitan Borough of Sandwell is issuing £20m. of 13 per cent. Redeemable Stock 1985 at £97½ per cent. Application lists open and close on Thursday. The stock is payable as to £10 per cent. on application, £40 per cent. on September 6, and £47½ per cent. on October 30.

Interest in the stock will be payable half-yearly with the first payment of £4.0484 per cent. (less tax) on January 15, 1978. Flat and final yields are 13.33 per cent. and 13.54 per cent. respectively.

The stock will be redeemed at par on January 15, 1985.

Applications must be for a minimum of £100 or in multiples thereof up to applications of £1,000. Applications above £1,000 and up to £5,000 should be in multiples of £500, from £5,000 to £20,000 in multiples of £1,000 and above £20,000 in multiples of £5,000.

● **comment**

With gilts up to a point firmer yesterday the market conditions have moved in Sandwell's favour. The stock yields som cent. over the recent B issue and about £2.30 over Treasury 12 per That should ensure level of subscription ments in the Gilt m fairly volatile at the much will depend on the next few days.

Fiftieth lo of Scapa O

THE 50th loading of at Occidental's termina Flow, Orkney, was ma day by the tanker Esso shire.

Since the termina serves the Piper fiel North Sea, came on January, 20 vessels h for oil. The Japane Kurushima Maru has 10 trips.

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...YDER PAYMENT

...ed names Billingsley

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...ttee met on ... 1974 and reached ... the recommenda- ...d be made to the ...ed International ...ion and a retire- ... for Lord Ryder. ...ing Mr. Billingsley ...at additionally ...t Products (CFP) ... wish to make a ...yment to Lord ... a privately-owned ...pany, associated ...rnational in joint ...tish Columbia, of ...rder had been a ... number of years. ...nderstood that if ...o make such a ...was their decision ...g to do with Reed ... the recommenda- ... the Committee.

...ever any contact ... International and ...ord Ryder on this ...equently several ...nal directors be- ...formally that CFP ... made payment of ... Lord Ryder but ...ew was that this ... matter which con- ...P.

...rod that at a meet- ...ver in December, ...ngsley, then Presi- ... Executive Officer ... Limited and Reed ... CFP if they would ...nake a retirement ...000 to Lord Ryder. ... would not. Mr. ...hen said to have ... they could assist ...ng a payment of ...on the express ... that CFP would be ...d. by Reed Paper ... believed from the ... at the purpose of ...as to assist Reed ... overcoming tech- ...in making a pay- ...yder in a year in ...er directors had ...lthough they re- ...nusual, agreed to ... so in the under- ... that Mr. Billings- ...ing on behalf of ...onal. In fact, the ...t come from Reed

... Reed International ...tically that Mr. ...d no grounds or ...soever for seeking ...aying an additional ... Ryder from Reed's

...id in a Press state- ...y arranged at the ... Billingsley for a ...an.$100,000 "to be ... account of Lord ...st, 1975. The pay- ...le by an offshore company and was reflected in its accounts as a loan."

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TO-DAY

Interims—B.A.T. Industries. Grindlays. Hongkong and Shanghai Banking. "Investing in Success" Equities. Kingside Investment. National Westminster Bank. F. Pratt Engineering. R. Smallshaw (Knitwear). Taylor Woodrow. Vantona.

Finals—A.A.H., Arlington Motor. Best and May. Cawoods Holdings. Crossfriars Trust. Davy International. FMC. Moorgate Investment. Somportex. Wheelers Restaurants.

FUTURE DATES

Interims—

Albright and Wilson	Aug. 18
Barclays Bank	†July 28
Glenlivet Distillers	July 29
Jamesons Chocolates	Aug. 4
Law Debenture Corporation	July 28
Leslie and Godwin	Aug. 3
Witter (Thomas)	Aug. 5

Finals—

Allen (W. G.) (Tipton)	†Aug. 11
Christy Bros.	July 27
Hallite Holdings	Aug. 9
Hillards	Aug. 3
London Sumatra Plantations	July 29
Stavert Zigomala	July 29
Steinberg	Aug. 9
Watshams	July 29

† Amended.

Mr. Billingsley recorded in a "memo to file" dated December 15, 1975, that "As part of an ad hoc committee comprised of A. A. Jarratt, H. W. Broad and G. S. G. Witherington, to review Sir Don Ryder's superannuation payments by Reed International, it was agreed that for tax purposes, it would be beneficial if I arranged through Canadian Forest Products and Reed Paper to pay Sir Don a lump sum payment of Can.$100,000. The total cost to Reed Paper was $110,000 as a result of interest accrued by Canadian Forest Products and other CFP expenses regarding this matter." The other directors of Reed International who were members of the committee and the company secretary have each, quite independently, refuted this account of the proceedings of the committee.

Mr. Billingsley also noted in that memo to file that "before proceeding with this plan" he had discussed the matter with a senior partner of Reed Paper's auditors, Peat Marwick Mitchell and Co. of Toronto (PMM) and that "he informed me that it was legal and not detrimental to the minority shareholders of Reed Paper."

To the best of the recollection of the senior partner of PMM the matter of a payment to Lord Ryder was raised with him by Mr. Billingsley at a lunch on December 12, 1975. The conversation was both brief and informal and left him with the understanding that Mr. Billingsley was seeking advice about possible future action rather than an accomplished arrangement and that Mr. Billingsley would contact PMM if he wished PMM to formally consider the ramifications of the proposed payment.

In January, 1976, Mr. Longstaffe, an executive vice-president of CFP, requested Mr. Billingsley to make reimbursement of Can.$110,000 directly to the offshore company which had made the payment to the account of Lord Ryder. Mr. Billingsley requested that the reimbursement be routed through a Canadian trust company. On January 26, 1976, a cheque authorised by Mr. Billingsley, in the sum of Can.$110,000 was paid by Reed Limited to the Vancouver office of the Yorkshire Trust Company.

The payment was designated in the books of Reed Limited as a political contribution.

On January 28, 1977, as part of the regular audit examination of the accounts of Reed Paper and its subsidiaries for the year ended in December, 1976, a cheque voucher relating to the above payment was drawn to the attention of the partner of PMM responsible for the audit.

On April 4, 1977, the senior partner of PMM met Mr. Billingsley and asked for appropriate documentation for the payment; on April 18, 1977, Mr. Billingsley's "memo to file" of December 15, 1975, was produced. On or about April 28 the audit partner told Mr. Billingsley that this documentation was inadequate. Mr. Billingsley's response was that the "memo to file" was adequate and declined to furnish further evidence.

On May 24, 1977, Mr. Jarratt, unaware of these events, telephoned Mr. Billingsley informing him that he was flying to Toronto the next day to discuss Mr. Billingsley's future with Reed. On May 25 in Toronto, Mr. Jarratt told Mr. Billingsley that the Boards of Reed Paper and Reed would be asked to terminate his employment because of the poor performance of Reed Paper evidenced by a number of factors, including the losses of the previous nine months. The decision to terminate Mr. Billingsley's employment had nothing whatsoever to do with the payment of $110,000 since, at this time, the existence of that payment was completely unknown to Reed International. Mr. Billingsley resigned from the Reed Canadian companies the following day, May 26, and from the Reed International Board on May 27.

The Board met on June 24, 1977 and decided that a note should be made on the Accounts on the grounds that: (a) the sum of money concerned, whilst not material in terms of the company's financial worth, was large by most people's definition; (b) the payment had been made to a former director; (c) all the evidence available suggested that the payment had not been authorised.

Lord Ryder has stated that he was first informed of the actual source of the payment to him on June 22, 1977. In subsequent discussions he gave an assurance to Reed International that he believed the payment made to him was a gift from CPP "having regard to his long period of service with them." He also made immediate arrangements for repayment of $C100,000 to Reed Ltd.

The foregoing account sets out the facts as they are known to Reed International. Reed is advised that as matters now stand it is not necessary for Reed to bring this matter to the attention of any public authorities. Meanwhile, the situation as between Reed International and Mr. Billingsley is the subject of correspondence between their respective lawyers.

Plessey starts well

ORDER BOOKS standing at a record £600m. give the Plessey Company a good start in the quest to secure more profitable growth, Sir John Clark, chairman, tells members in his annual review.

Referring to international operations in the Mediterranean and Middle East region, the chairman says that on the basis of selective specialisation, the directors are encouraged by the penetration of this important growth market.

In the U.K. the business market is depressed, although signs are emerging to indicate an upturn over the next 12 months.

As reported on June 22, pre-tax profit for the year to March 31, 1977, rose from £34.7m. to £39.58m. Using the appropriate published indices to account for inflation, the cost of sales adjustment would be £6m. and additional depreciation £10m.

A statement of source and application of funds shows a decrease in net cash assets of £20.69m. (£21.25m. increase).

Meeting, Millbank Tower, S.W., August 18, noon.

Progress at Keyser Ullmann

Keyser Ullmann, the merchant banking group which returned to profitability with a pre-tax profit of £0.86m. in the second half of the year to March 31, 1977, has now arranged the letting of a sizeable recently completed building, Mr. Derek Wilde, the chairman, said at the annual meeting yesterday.

Contracts for the letting of the building, in London, at a rent of over £400,000 a year have just been signed and when a tenant is found for the rest of the space, the building should bring in a rent to around £500,000 a year.

It is likely that in due course the building will be sold as part of Keyser Ullmann's process of disposal of many of its property assets, following its troubles in the secondary banking crisis. Mr. Wilde told shareholders that the balances in the group's realisation accounts, which have been written down, with heavy provisions, to the amount it is expected to recover, have been reduced by sales from £98m. in March, 1976, to £64m. to-day. Much of the property was acquired as security against loans not repaid.

By March, 1978, the group hopes to see this figure down to around £45m., added Mr. Wilde, who took over as Keyser's chairman two years ago during the recovery process.

After the upheaval of the past few years—a £61m. loss was incurred in 1974-75 and help was required from the big banks' lifeboat—Keyser is now again wanting to build up its banking side. "The time has now come to pay much more attention to the world outside and to seek new business," Mr. Wilde said. The group is considering having representation in half a dozen centres outside London and in this context it is thinking about Birmingham, Bristol or Cardiff, Leeds, Edinburgh, Southampton and Jersey.

...cury must expand abroad

...CTS of Mercury ...e current year are ...ifficult to judge ...e chairman, tells ...owever, of the ... that it is particu- ... for the company ...nd strengthen its ...usiness to corres- ... increasing inter- ...national economies ...values about half ...olders' funds are ... assets located ...h have been ...it giving any rise ...ency liability.

...on July 5, helped ...sed contribution ...burg and Co., up ... £10.43m., after- ...he year to March ...oved to £11.71m. ...ngs per 25p share ...0.27p (16.19p) and ...nd is lifted to ...).

...reserves, not in- ...reserves of the ...y, have risen 146 ...e than £56m. over ...ears. This figure ...e the excess of ...ectors' valuations ... of investments. ...national, France, ... cent. interest in ...panies, which constitute the major part of the group, are not required to do this.

The merchant banking business of S. G. Warburg continued to develop both domestically and internationally. There was a low level of demand for credit and substantial rise in corporate liquidity in industry resulted in a higher level of deposits.

In the international capital markets the company managed, or co-managed, a large number of issues with a total value in excess of $2.5bn. Net revenue in foreign currencies amounted to about £5m. not including related professional fees and services provided by others.

Total institutional and private funds managed by Warburg Investment Management expanded to over £1bn., but Lord Roll notes that the general level of profitability in investment management is at an uneconomically low level.

During the year a U.S. subsidiary, Warburg Investment Management International, was formed.

In December S. G. Warburg acquired a minority equity interest in Brandies, Goldschmidt and Co., returning it to a wholly owned status.

... Whinney Murray ...hat they concur ...s decision not to ...ment of source ...of funds. Such a ...ld require dis- ...nds generated in ...ne banking com- Towards the end of the year trading conditions for the metal trading and refining group became more difficult due to the continuing low levels of international trade and industrial activity, he reports.

In February 1977, D'Arcy-MacManus acquired the group's holding in the advertising agency Masius, Wynne-Williams for £2.25m. cash.

Meeting, 30, Gresham Street, E.C., on August 17, at noon.

Standard Life new pensions contract

Standard Life Assurance has launched a new pension policy for the self-employed and others in non-pensionable employment. The basic contract is a pure endowment policy participating in profits written to age 75. At the selected retirement age varying from 60 to 75 the appropriate proceeds of the contract are used to purchase an annuity at current annuity rates, but the policy contains a guaranteed minimum pension level per £1,000 of policy value. Payment may be made either by single premium or by regular annual premiums.

The bonus rate will be the same as for existing self-employed pension policies—£5.00 per cent. per annum compound for annual premiums and £4.50 per cent. per annum compound for single premiums. A distinctive feature of the single premium contract is the easy facility to make additional payments.

Dividend amendments

The following companies have amended their dividends consequent upon the recently announced change in the income tax rate to 34 per cent.

Allnatt London Properties final 3.0225p net per 25p share making 3.86p (3.4675p) for year to March 31, 1977.

Braithwaite and Co. Engineers—Final 4.118p net per £1 share making 7.693p (6.938p) for year to March 31, 1977.

Chesterfield Properties—Final 2.920625p net per 25p share making 3.620625p (3.34857p) for 1976.

Leopold Joseph Holdings: Final reduced to 6.12p net per £1 share making 7.8p (7.007p) for the year ended March 31, 1977. Previously announced final assumed tax rate of 33 per cent.

Rothmans International: Final 1.1815p net on 12½p "B" shares making 1.8415p (1.6579p) for year to March 31, 1977.

Wilkinson Match: Final 4.92635p net per £1 share making 8.31223p (7.48872p) for the year to March 31, 1977.

Weston Evans Group: Final 1.93967p net per 20p share making 2.76042p (2.48276p) for year to March 31, 1977.

Exploration Co.: Interim increased to 0.4947p (0.443p) net per 5p stock unit for 1976.

El Oro Mining and Exploration Co.: Interim increased to 0.9895p (0.886p) net per 10p share for 1976.

Lennons Group: Final 1.11572p net per 10p share making 1.49408p (1.59881p) for year to March 31, 1977.

Burtonwood Brewery Co. (Forshaws): Net dividend from 3.048p to 3.095p (2.771p) per 25p share for year to March 31, 1977.

Mackinnon over £54.000 so far

For the half year to April 30, 1977, profit of knitwear manufacturers Mackinnon of Scotland rose from a depressed £2,685 to £54,699, subject to tax of £28,700 against £1,400. Sales improved from £1.61m. to £2.16m.

Earnings per 25p share were 0.86p (loss 0.11p). After payment of Preference dividend the attributable profit was £20,561 (loss £2,703).

Graig still in loss

An increased loss before tax, up from £46,243 to £164,640 in the second half, left Graig Shipping with a marginally lower deficit for the year to March 31, 1977 of £642,659 against £670,129.

A net final dividend of 11.49 per £1 share lifts the total to 16.49p (15.36p).

There was a tax credit of £242,989 (£300,818).

...EY MARKET

...ll assistance

...and Minimum ...e 8 per cent. ...y 13, 1977)

...dit was in short ...ndon money mar- ...d the authorities ...y buying a small ...sury bills from ...ses.

... forward surplus ... Friday and the ... helped by funds coming into London across the foreign exchange market as a result of the continued decline of the U.S. dollar. On the other hand there was a modest take-up of Treasury bills to finance, and an increase in the note circulation.

Discount houses paid 7-7¼ per cent. for secured call loans in the early part, and closing balances were taken at 6¾-7 per cent.

In the inter-bank market overnight loans opened at 7-7¼ per cent., and eased to 7⅛-7¼ per cent. before rising to 7¼-7½ per cent after lunch. Rates eased to 6¾-7 per cent. during the afternoon, and closed at 7-7¼ per cent.

Short-term fixed period interest rates were slightly easier in places, but trading remained quiet.

Rates in the table below are nominal in some cases.

...ing ...ates ...osits	Interbank	Local Authority deposits*	Local Auth. negotiable bonds	Finance House Deposit	Company Deposits	Discount market deposits	Treasury bills ϕ	Eligible Bank Bills ϕ	Fine Trade Bills ϕ
—	6¾-7½	7-7⅛	—	—	7⅛	6¾-7¼	—	—	—
—	—	7-7⅛	—	—	—	—	—	—	—
—	7⅛-7¼	7⅛-7¼	—	7¼-7¾	7⅝	7-7¼	—	—	—
7⅝	7¼-7⅜	7⅛-7¼	8½-8	7¼-8	7¾-7⅞	7-7½	7⅜-7⅝	7⅜-7⅝	7¾-8
7⅝	7⅞-7⅞	—	8½-8	7⅞-8¼	—	7¼-7⅝	7⅞	7⅞-7⅞	8
7⅞	7⅞-7⅞	7¾-7⅞	8½-8	8¼-8½	—	7⅝-7½	7⅞-7½	7⅝-7⅞	8¼-8⅝
8½	8¾-8⅞	8¾-8⅞	8⅛-8	9⅛-9½	—	—	—	8⅛-8½	8⅝-9
9⅜	9⅛-9⅜	—	10-9⅝	10¼	—	—	—	—	—
9⅞	9⅞-9⅞	9⅞-10	10-9½	10½	—	—	—	—	—
—	—	11¼-11⅝	—	—	—	—	—	—	—

...and finance houses seven days' notice, others seven days' fixed. * Longer-term local authority mortgage ...e years 12¾-12⅞ per cent.; four years 13-13¼ per cent.; five years 13¼-13⅜ per cent. ϕ Bank bill rates in ...tes for prime paper. Buying rates for four-month bank bills 7¹⁵⁄₁₆ per cent.; four-month trade bills ...

...ng rate for one-month Treasury bills 7³⁄₁₆-7⅛ per cent.; two-month 7⅛ per cent.; and three-month 7⁷⁄₁₆-7¹⁵⁄₃₂ ...ate selling rate for one-month bank bills 7⁵⁄₁₆ per cent.; two-month 7⁷⁄₁₆ per cent.; and three-month 7¹⁹⁄₃₂ ... trade bills 7¾-7⅞ per cent.; two-month 7⅞ per cent.; and also three-month 8-8⅛ per cent.

...ase Rate (published by the Finance Houses Association): 8 per cent. from July 1 1977. Clearing Bank ...all sums at seven days' notice 4 per cent. Clearing Bank Base Rate for lending 8½ per cent. Treasury ...r rates of discount 7.4760 per cent.

Bisgood Bishop falls to £0.5m.—holds 17p

Bisgood, Bishop, the unquoted concern which is one of London's *five largest stockjobbers*, saw its pre-tax profits fall to £510,000 in the period from May 1, 1976, to May 6, 1977, from £813,000 in the previous year, but is maintaining its dividend at 17p a share.

In his commentary on the year, Mr. Cecil Bisgood, the chairman, says that the first six months were disappointing in turnover, with profits hard to come by. But eventually confidence in sterling and the economy revived so that in money terms turnover was only slightly down, at £660m., against £666m. "This shows that in any reasonable conditions we can maintain our share of the market."

The fall in pre-tax profits is attributed to the greater cost of financing the company's bull positions with the share index at a higher level, *to lower jobbing* profits and to the steady increase in costs. Mr. Bisgood remarks that in the longer term they must expect running costs to rise until the Talisman computerised settlement system, forecast to start in early 1979, is in operation.

Of the market situation, he says that many companies are reporting higher profits and that there is hope that some of the wealth from the North Sea will be invested rather than squandered. "Thus on the political and economic fronts there is cause for hope."

Mr. Bisgood speaks of the present plan of five jobbers and one broking firm to extend the present options system as "the first attempt for many years to bring increased business to the Stock Exchange by the creation of a new service to encourage *the return to the market* of the smaller investor."

The accounts show unchanged holdings of 10 per cent. of the company's capital of 1m. shares by Bricomin Investments, Williams and Glyn's Bank, and Legal and General group. A 5¼ per cent. stake is held by I. O. Capper, while, of the directors, Mr. James Puxley has an unchanged holding *of 53,730 shares* and Mr. Brian Winterflood a slightly increased one of 52,150.

Increased new business for WPA

A significant increase in business for 1976, despite the strong economic pressures experienced, is reported by Mr. A. G. Wright, *chairman of Western Provident* Association, a leading medical insurance agency. The company had underwritten considerable new business with firms anxious to protect staff at many levels against the pressures currently bedevilling the National Health Service. Overall membership in 1976 advanced to 27,586 from 26,994 at the end of 1975. This increase was more than accounted for by the growth in group membership which increased by over 1,000 to 20,337.

Subscription income last year on the private treatment scheme rose by 25 per cent. to £1.21m. and investment income advanced slightly to £62,000. Claims payments rose by 27 per cent. to £0.92m.—76 per cent. of subscriptions and after payment of £36,000 to covenanted donations, the operating surplus for 1976 fell slightly to £68,000.

Winding-up orders

Orders for the compulsory winding up of 66 companies were made by Mr. Justice Brightman in the High Court yesterday.

They were:— Sofico Vacaciones, Chase Builders (Battersea), Paul Ross, Ken Shepherd (Racing), Marbaville, Trilex Services (Control Automation), S. and H. Fashions and Ronridge.

C and C Plumbing Co., Thornleigh Developments, Raem (Great Britain), Aldershot Taverners Club, Ro-Tred (Civil Engineers), Dahroug and Company and Moonwood.

Millplant Hire Company, Amanda Bureaux, Abbotts Wine Bars, Lekshire, Griffiths Electrical (Sedgley) and K. M. Bergin.

Newbury Rapid Concrete Breakers, Codename International, Barbur Transport, Barnfather Haulage (Choppington), Roycott and Wells (Design Decor and Building) and Croftsan (Homes).

A. T. Branch, Cater Place, Cromwell Road Property, Don White Agency, Hearnmill and Kader Properties.

Kingfisher Construction, Lancashire and Chester (Holdings), Mill Street Investments, Sundove Properties, Trentrown and Trophic Investments.

Troyhurst, Chrisstehelen, Kinglade, Bristford Properties, The Ring Box and Halside Printers.

Rooksdale International, Voice and Vision, Denton Decorators, T. and M. Plant Hire, Beckensall International Haulage and Foxtor Construction.

Jay Brown, A. J. O. (Contracts), E. G. Acworth (Builders), Thames Marine Insurance Brokers and Viscount (Electrical Contractors).

Scottish Instruments, ZN Metal Protection, B. R. Holford, B. C. Gatehouse Transport and Wards Materials Handling.

Bradcross, V.J.V. Electronics, Tibro Design, Gannet Offshore Production Services and Janex Business Forms.

EXHIBITIONS

19TH ANNUAL Brighton Antiques Fair, July 25-30. Corn Exchange 11 a.m.-8 p.m. Daily.

Y. J. LOVELL (HOLDINGS) LTD.

INTERIM STATEMENT FOR HALF-YEAR TO 31 MARCH, 1977

The results of the Lovell Group for the half year to 31 March 1977 are detailed hereunder:

	6 months to 31.3.77 Turnover	Trading Profit	6 months to 31.3.76 Turnover	Trading Profit	12 months to 30.9.76 Turnover	Trading Profit
	£000	£000	£000	£000	£000	£000
Construction & Allied Trades	21,470*	327	19,531	411	40,309	869
Timber Group	4,709	384	3,225	201	7,906	633
	26,179		22,756		48,215	
Less Inter-division sales	573		336		878	
	25,606	711	22,420	612	47,337	1,502
Profit on purchase and cancellation of Debentures		—		23		23
Group Profit before taxation		711		635		1,525

* includes export turnover £253,000

The results for the first six months, show an overall improvement of 16% on the first six months of last year despite the adverse effect of poor weather conditions on construction progress. The timber section is maintaining the first half year momentum and the construction companies are now making up ground lost in the winter. As predicted, we are working to a declining order book in the U.K., but the Board still anticipates a reasonably satisfactory year. The Directors are pleased to report that the protracted dispute between Portsmouth Council and one of our subsidiary companies has been satisfactorily settled without any significant adverse effect on the company's trading figures now reported. The Board has decided to introduce the payment of an Interim Dividend and proposes a dividend of 1.5p per share payable on 1 October 1977 to Ordinary Shareholders on the Register on 26 August 1977 in respect of the year to 30 September 1977.

25 July 1977

Lovell

Union Corporation Group

U.C. Investments Limited

(Incorporated in the Republic of South Africa)

HALF-YEARLY STATEMENT

The unaudited financial statements for the six months ended 30th June, 1977, and the comparative figures for 1976 show:

	Jan/June 1977 R(000)	Jan/June 1976 R(000)	Year 1976 R(000)
Income from investments	3,382	4,581	7,200
Net surplus on realisation of investments	14	70	76
Recoupment of amounts previously written off mineral rights and prospecting expenditure	—	—	19
	3,396	4,651	7,295
From which must be deducted:			
Net sundry expenditure	122	151	68
Directors' Fees	15	15	30
Provision for writing down investments	—	—	750
Prospecting expenditure	—	—	97
Interest paid on unsecured loan	10	14	14
	147	180	959
Profit before taxation	3,249	4,471	6,336
Taxation	—	—	13
PROFIT AFTER TAXATION	3,249	4,471	6,323
Cost of interim dividend	1,950	1,950	
Shares in issue (000's)	19,500	19,500	19,500
Earnings per share (cents)	16.7	22.9	32.4
Dividends declared (cents per share)	10.0	10.0	30.0

NOTES

1. As a result of your Company and Geduld Investments Limited exchanging certain investments during the second half of 1976, as previously reported, there has been a significant change in the timing of dividend income received by your Company. Whereas previously nearly two-thirds of the year's dividend income was received in the first half of the financial year, it is now anticipated that slightly less than half of the annual total will be earned in this period with the balance receivable during July to December.
2. The assets of the Company at 30th June, 1977, were as follows:—

	30.6.77 R(000)	30.6.76 R(000)	31.12.76 R(000)
Mineral rights and prospecting expenditure	1	69	1
Investments at book value	32,961	33,258	33,211
Net current assets and Loan portion of taxation	2,152	2,536	Cr. 1,347
Total net assets	35,114	35,863	31,865
Market value of investments (including directors' valuation of unlisted investments)	79,144	93,839	85,301

3. A final dividend of 20 cents per share in respect of the year ended 31st December, 1976, was paid to members registered at the close of business on 11th February, 1977.
4. No provision has been made in the above half-yearly figures for the writing down of investments as this provision is calculated at the Company's financial year-end and is related to market prices ruling at that date.
5. Your Company has accepted a participation in East Rand Gold and Uranium Co. Ltd., to the extent of 300,000 shares at a cost of 350 cents per share.

DECLARATION OF DIVIDEND. An interim dividend No. 28 of 10 cents per share for the half-year ended 30th June, 1977, has been declared payable to members registered in the books of the Company at the close of business on 5th August, 1977.

The dividend is payable in South African currency. Members *with payment addresses in southern Africa will be paid from* the Registered Office and the warrants will be drawn in South African currency. Members with payment addresses elsewhere will be paid from the London Transfer Office and warrants will be drawn in United Kingdom currency: the date for determining the rate of exchange at which South African currency will be converted into United Kingdom currency will be 23rd August, 1977. Such Members may, however, elect to be paid in South African currency provided that any such request is received either at the Registered Office or London Transfer Office on or before 5th August, 1977.

Dividend warrants will be posted from the Registered Office and London Transfer Office on or about 15th September, 1977.

The register of members will be closed from 8th to 12th August, 1977, inclusive.

The dividend is payable subject to conditions which can be inspected at the Registered Office or London Transfer Office of the Company.

per pro. Union Corporation (U.K.) Limited
London Secretaries
L. W. Humphries.

London Transfer Office, Granby House, 95 Southwark Street, London SE1 0JA.

Princes House, 95 Gresham Street, London EC2V 7BS.

25th July, 1977.

BIDS AND DEALS

Lex agrees £2.4m for L. Lipton

L. Lipton, the fork-lift truck specialists, has agreed terms for a take-over of the company by Lex Service Group. Lipton holders are *being offered 107½p cash per* share, valuing the Lipton group at £2.36m.

The outcome of the offer is in no doubt since the directors of the Lipton family and their interests intend to accept in respect of 1,214,492 shares—55 per cent. of the total equity.

Lex, through Harvey Plant a wholly-owned subsidiary, is engaged in contract hire and the rental of fork-lift trucks, which is the principal business of Lipton. Lex has already announced that it is the group's intention to devote more resources to this *area of activity*.

Other parts of the Lipton business, which are not concerned specifically with fork-lift trucks, are to be sold to Mr. John Lipton for an aggregate consideration of £279,251. These subsidiaries will also repay inter-company indebtedness amounting to around £196,000.

ATTOCK PETROLEUM

At an extraordinary meeting of Attock Petroleum, a resolution was passed to approve the disposal of a 51 per cent. interest in a wholly-owned subsidiary, The Attock Oil Company, to Finance and Investment International.

Mr. A. P. de Boer, chairman of Attock Petroleum, said at the meeting that while the listing of the Ordinary shares of Attock will be temporarily suspended with effect from to-day, "we are actively seeking opportunities for the re-investment of the proceeds in the oil industry and related areas; and we will keep shareholders informed of progress.

"We hope that the listing will be restored before too long, but it may take some months before this can be achieved.

"If, however, the period of suspension lasts longer than anticipated, consideration will be given to making arrangements for dealings to take place in the Company's shares on the basis of matching potential buyers and sellers."

SHARE STAKES

Celtic Haven: Following the sale of 250,000 Ordinary shares between July 4 and 14, Parambe now holds 320,000 (6.4 per cent.) shares.

Brooke Tool Engineering (Holdings): Company has been advised *that on July 12 Samuel Montagu* and Co. ceased to have an interest in 453,969 shares and £45,400 12 per cent. convertible unsecured Loan stock, Draymont Securities ceased to have an interest in *165,000 shares and £11,250 Loan* stock and Monteith Investment Trust and its subsidiaries acquired an interest in 625,000 shares and in £37,000 Loan stock.

Land Securities Investment Trust: *Lord Samuel of Wych Cross* has sold 50,000 Ordinary shares at 174p on July 20 and 50,000 Ordinary shares at 168p on July 21.

Davies and Metcalfe: Central Manufacturing and Trading Group has entered into a contract to purchase 170,000 Ordinary shares, representing more than 5 per cent. of the capital.

Dolan Packaging: MIT Securities sold 543,500 Ordinary shares on July 22 reducing their holding in the company to 330,566 shares (3.76 per cent.).

Forenade Well AB (wholly owned subsidiary of Statens) purchased a further 3,490,800 Ordinary shares making their total holding 2,361,181 shares (26.82 per cent.).

Kinta Kellas Rubber Estates: *Straits Trading Company has* acquired a further 5,000 shares making a total interest of 519,500 shares (12.57 per cent.).

Blundell-Permoglaze Holdings: Croda International has acquired further Ordinary shares which brings its total holding to 615,000 Ordinary shares (9.656 per cent.).

Viewforth Investment Trust: London and Manchester Assurance *Company has purchased* 29,000 Ordinary shares between June 1 and July 14. The latest purchase brought the total interest to 365,500 Ordinary shares (12.12 per cent.).

QUEENS MOAT BUYS THATCHED BARN LEASE

Queens Moat Houses announces that it has agreed to lease the Thatched Barn Hotel, Elstree, Herts., from Thistle Hotels, the premier hotels subsidiary of Scottish and Newcastle Breweries.

The Thatched Barn is a well-known high-quality hotel situated on the Barnet by-pass section of the A1. It has 60 luxury bedrooms, conference and banqueting *facilities* and the largest privately-owned open-air swimming pool in Europe.

Queens Moat, which specialises in the operation of high quality hotels, regard the Thatched Barn as *a significant addition to their* chain. It will add approximately £600,000 to group annual turnover and bring to 24 the number of hotels, public houses and restaurants in the Queens Moat group.

The acquisition follows Mr. Bairstow's comments to shareholders in his current annual statement that Queens Moat now felt able to enter a time of "*controlled expansion*" and to this end were negotiating on several projects which would "improve the profitability and financial soundness of the company."

Thistle Hotels owns and controls 29 hotels in major business centres throughout Scotland and England. It recently strengthened its representation in central London—the Royal Scot Hotel in King's Cross Road—by acquiring the 320-bedroom Kensington Palace Hotel.

COLMORE STILL REJECTS COWIE

Shareholders in Colmore Investments are told by Mr. J. R. Charlesworth, deputy chairman and managing director of the group, that they should continue to reject the take-over bid from Cowie.

Mr. Charlesworth re-asserts that shareholders would receive a lower income, would be selling at less than asset value and would be forgoing "excellent prospects." mining at St. Lawrence, Newally viable.

SELUKWE/KADUNA

As at July 22 acceptances received by Selukwe Gold Mining amounted to 2,993,130 Kaduna Syndicate shares which, together with previous holdings total 3,122,130 shares (90.5 per cent.). *Selukwe intends to compulsorily* acquire the balance.

NASH/RELIANT

The offer by J. F. Nash Securities for Reliant Motor Group closed on July 22. Acceptances were received in respect of 29,800 shares (0.12 per cent.). Nash now holds 19,172,775 shares (76.69 per cent.).

Prior to the announcement of the offer Nash had agreed to acquire 19,142,966 shares.

IN BRIEF

GLOBE INVESTMENT TRUST—Results for year to March 31, 1977, already known. Investments £121.24m. (£113.33m.); current assets £4.38m. (£5.21m.); current liabilities £9.84m. (£3.38m.). Liquidity increased by £2.69m. (£47,800 decrease). At July 1, 1977, Cable Trust held 30.45 per cent. of the equity. Meeting, Temple Place, Victoria Embankment, August 12, at 12 noon.

WYNDHAM ENGINEERING COMPANY—Turnover year to March 31, 1977 £538,678 (£120,564). Profit £22,777 (£11,877) after tax £7,693 (£6,673). Dividend 1.917p (1.47p) net per 10p share. Earnings 4.285p (1.94p).

WEST COAST AND TEXAS REGIONAL INVESTMENT TRUST—Gross revenue for first half 1977, £88,857 (£78,418). Net revenue £13,304 (£1,907) after tax £11,563 (£8,231). Net asset value per 10p share 50.4p (52.2p) at end-December, 1976. Board anticipates revenue for second half similar to that now reported.

WESER HOLDINGS—For half year to June 30, 1977, pre-tax profit £38,534 (£22,377). Tax £20,381 (£11,100), retained £11,889 (£22,439), earnings per 50p share 6.45p (4.38p). Interim dividend 1.75p net (same). Directors expect that, subject to unforeseen circumstances, they will be able to recommend a final dividend of not less than 7.5p. The company has close status.

BRYCOURT INVESTMENTS—Unaudited figures for portfolio at June 30, 1977, show a valuation of approximately £5.57m. compared with a valuation at March 31, 1977, of some £5.53m. The net asset value per 50p share is 98.5p (94.7p).

FIRST GUERNSEY SECURITIES TRUST—Total net assets £346,678 (£350,595 as at December 31, 1976). Net asset value (50p shares) 61p (62p). Dividends and interest received less bank interest to June 30 1977 amounted to £7,087 (£15,402).

PROPERTY PARTNERSHIPS—Results year ended March 31, 1977, already reported. Group properties £4.2m (£4.0m). The hotel subsidiaries' contribution to the group profit continues to increase. Meeting, Norwich, August 18 at noon.

ASSOCIATED BRITISH ENGINEERING—Turnover year to March 31, 1977, sales £3.25m (£3.15m.). Pre-tax profit £9,880 (£26,800) after interest on bank loan and overdraft £137,900 (£136,800). Tax £9,800 credit (£1,800). Earnings per 12½p share 0.8p (nil).

GREENBANK TRUST—Gross investment income for half year to June 30, 1977 £21,834 (£18,134). Net asset value per 25p share 76p (80½p). No interim (same). It is expected that the dividend for the year will at least be maintained at 2.8p.

ROWLAND GAUNT—No dividend (same) for year to June 30, 1977. Trading loss £3,894 (profit £1,820). Pre-tax loss £1,836 (loss £475). No tax (same).

● Korf Industries, and the Iron and Steel Company of Trinidad and Tobago (ISCOTT) has reached a technical partnership agreement whereby Korf will supply steelmaking technology and operating advisers for the construction and operation of a 500,000 metric ton per year steel-*making complex at Point Lisas*, Trinidad.

MINING NEWS

Australian Utah earns first-half $A83m.

BY KENNETH MARSTON, MINING EDITOR

AUSTRALIA'S LARGEST coal exporter, Utah Development Corporation, has lifted earnings for the first half of 1977 to $A83m. (£54.3m.) from $A77m. in the *first six months of last year* despite a decline in the past quarter.

The U.S. Utah International owns 89.2 per cent. of Utah Development while the remaining 10.8 per cent. is held by Utah Mining Australia. Shares of the last-named were 395p yesterday.

Although UDC coal shipments dropped from 4.8m. tonnes to 3.7m. tonnes in the June quarter, *earnings dipped only from* $A46.3m. to $A43m. The company earned $A137m. last year, the highest profit ever achieved in Australia, and appears to be well on the way to at least matching *that performance in the current* year.

The latest results of UDC can be gleaned from those announced by Utah Mining Australia (UMAL), comments our Sydney correspondent. The company recently bought a direct interest in most of the UDC coal activities and now holds 4 per cent. of Central Queensland Coal Associates which has four coal mines *in Queensland and is developing* the $A250m. Norwich Park coal project.

UMAL reports a half-year net profit of $A7.84m. compared with $A2.18m. a year ago, the latest earnings being equal to 18.6 cents per share. As already announced, the interim has been raised to 6 cents from 5 cents.

CHANGE IN UCI INCOME TIMING

The Union Corporation group's UC Investments reports a net profit of R3.25m. (£2.17m.) for the six months to June 30. This compares with R4.47m. in the first half of last year and a 1976 total of R6.32m. The latest profit equals 16.7 cents per share and the interim is being maintained at 10 cents; the 1976 final was 20 cents.

It is pointed out, however, that following last year's exchange of investments with Geduld Investments, there has been a significant change in the timing of dividend income receivable by UCI.

Previously the company received nearly two-thirds of its dividend income in the first half of the year, but now it gets slightly less than half of the annual total during the first six months.

Investment income in the past six months has amounted to R3.38m. compared with R4.86m. in the first half of last year and the 1976 total of R7.2m.

The latest net asset value of UCI shares is 417 cents (279p) and yesterday's London cum-premium price was 205p. The company is taking up 300,000 shares in East Rand Gold and Uranium at a price of 350 cents per share.

Lornex does less well

REDUCED half-year net earnings of $C8.49m. (£4.55m.), or 78 cents per share, compared with $C8.26m. a year ago are reported by the Rio Tinto-Zinc group's Canadian Lornex copper and molybdenum mining operation in British Columbia. Total net earnings for 1976 were $C15.9m.

The less buoyant earnings during the past six months reflect higher costs coupled with lower copper prices. A 66.9 per cent. stake in Lornex is held by Rio Algom which, in turn, is 51 per cent. owned by RTZ. Some 20 per cent. of Lornex is held by Yukon Consolidated, the shares of which were 133p yesterday.

ALCAN TO CLOSE FLUORSPAR MINE

Canada's Alcan Smelters and Chemicals is to cease fluorspar mining at St. Lawrence, Newfoundland next February because the facility is no longer economically viable.

Mr. A. R. Love, vice-president and general manager of the company's chemical division, said that the decision to close had been made "with extreme reluctance and great regret" and only after long and intensive study of the operation had determined that continuation was impossible from an economic standpoint.

Fluorspar is an essential element in the production of aluminium. Alcan has been supplying its own requirements from the Newfoundland mines since 1942. During the early 1970s more than $10m was invested to improve existing facilities at the site.

In recent years the market situation for fluorspar has changed substantially, resulting in lower purchase costs when compared against the operating costs at St. Lawrence, has made Alcan's Newfoundland fluorspar mining operations "economically insupportable", said Mr. Love.

S. & N. discloses union membersh

THIRTY-FIVE per cent. of 26,160 employees of Scottish and Newcastle Breweries are members of a trade union—membership varies from 100 per cent. in groups such as engineers, plumbers and electricians, which are weekly paid, to 32 per cent. for monthly-paid administrative staff.

A full analysis of trade union membership is contained in the company's report and accounts for the year to May 1, 1977. Management staff number 1,615.

A total of 6,780 people are involved in the production, distribution and wholesaling of beer, 770 in wines and spirits including distilleries, 840 in group services, finance and others, and 17,790 in hotels, restaurants and public houses (including management staff and 11,700 part-time employees).

Excluding hotels, restaurants and public houses, weekly-paid staff 4,850 and the salaried staff 3,520—of the weekly paid staff, 1,120, and 700 of the salaried staff, have been with the company more than 15 years.

The aggregate remuneration for the year was £52.06m (£48.53m.)—126 weekly-paid staff and 423 management staff earned more than £5,000 each during the year for a total of £3.54m.

The accounts show that time lost through unofficial strikes and other forms of disruptive action was 3,505 (5,450) man days, of which 2,036 man days resulted from one stoppage.

A breakdown shows full membership of a trade union among engineers, plumbers, electricians, instrument mechanics, vehicle mechanics, joiners, painters, builders and other craftsmen, numbering 620. All 15 coopers are also trade union members.

Ninety-nine per cent. of weekly paid production, warehousing and distribution staff numbering 4,340 hold membership. Seventy per cent. of weekly-paid staff in hotels and licensed houses are members.

Of the monthly-paid administrative staff, 52 per cent. of 1,680 people belong to a trade union. Among the salaried technical and supervisory staff, 76 per cent. of 320 members belong to a trade union.

A full account of the company's 1976/7 results were reported on July 14. Turnover for the period rose from £308.8m. to £345.9m. and pre-tax profit was £35.11m. (£30.94m.), a record.

Drayton Far Eastern headway

For the first half of 1977, Drayton Far Eastern Trust re-

HOME NEWS

Ashley Ashwood

Market law could make such buses acceptable.

The vehicle can carry passengers on routes where height restrictions bar double-deck buses.

The National Bus Company, London Transport and the Department of Transport are evaluating the bus, which is built by a Leyland subsidiary in Denmark, Leyland-DAB.

The State-owned concern maintains the vehicles would be largely built in this country with locally-manufactured engines if there was a demand from the U.K. for articulated buses.

Commonwealth law 'must meet change'

THE LEGAL profession had to adapt itself to great changes affecting Commonwealth countries, Lord Elwyn-Jones, the Lord Chancellor, said yesterday.

Opening the fifth Commonwealth Law Conference in Edinburgh, he said this involved a re-thinking of the role of the lawyer and of the judge in the social and economic as well as in the purely legal or judicial context.

"An indication that the profession and the courts are moving with the times is to be seen in the great activity in law reform which is proceeding throughout the Commonwealth."

The Lord Chancellor will be leading the British delegation at a meeting of the Commonwealth Law Ministers at Winnipeg towards the end of August.

Law reform was to be a major subject for discussion at the conference, he said. There was also to be an informal meeting of Commonwealth law reform agencies in London immediately afterwards.

It was remarkable how many legal systems were currently under review in different Commonwealth countries.

Attuned

"Each country has its own peculiar problems, and the shape of its progres must be attuned to its local conditions. But this does not mean that there is not a vast area of common interest or that any country can afford to disregard what is taking place elsewhere in the contemporary scene.

"Every country can benefit from study of what is going on in the others and can learn lessons from their successes and their failures."

The existence of the modern Commonwealth was, he said, a genuine achievement. It had a bad patch in the 1960s when meetings of Commonwealth Heads of Government were in danger of becoming little more than occasions to pressurise and sometimes to pillory Britain on various issues.

Maturity

But by the 1970s a new maturity and a new realism were apparent. There was a clear desire among Commonwealth leaders to get away from unproductive confrontations and arguments and to seize the opportunity for a fruitful exchange of views.

"One of the cohesive forces among Commonwealth countries lies in them having laws and legal institutions of the same type and lawyers brought up in the same traditions."

The conference, attended by more than 800 Commonwealth lawyers, was urged by Mr. Babstunde Benson, a Lagos, Nigeria, lawyer who is chairman of the African Bar Association, to find ways of protecting the independence of the legal profession against the "new wind" of military regimes in some Commonwealth countries.

Mr. Benson cited—without naming countries—lawyers being detained without trial, the murder of one chief justice, and the forced retirement of chief justices and judges.

Before the role of law could have a realistic impact in the Commonwealth, independence of the bar had to be recognised by the various governments, he said.

Improved insulation standards urged

By David Freud, Industrial Staff

MANUFACTURERS of insulation fibres have called on the Government to improve insulation standards through increased promotion, bigger financial incentives and tighter building regulations.

Eurisol-U.K., the Association of British Manufacturers of Mineral Insulating Fibres, said these measures were essential to improve energy conservation in the U.K.

The association has made the following recommendations:

- The public education programme should be enlarged, with proposed expenditure for the Save It campaign expanded to its 1975-76 level. The Prime Minister should throw his authority behind the campaign by making a public statement.
- Incentives should be increased. Roof and wall insulation should be made eligible for improvement grants and VAT should be removed from energy conservation materials in the do-it-yourself sector.

There should be tax allowances in the next Budget for energy conservation measures.

- The budgeted figure for subsidising fuel bills for the lower income groups should be spent instead on insulating the homes of 600,000 old age pensioners.

This would reduce fuel bills and provide a permanent cushion against rising fuel costs.

- Building regulations should be tightened, with insulation targets for roofs six to eight inches, floors four inches and filling for standard four-inch cavity walls.

Insulation should be brought into line with prevailing building regulations whenever a house changes hands or when central heating is installed.

Second petition against Mid-East bank

THE International Bank and Trust Company of the Middle East is facing a second petition for compulsory winding-up, the High Court was told yesterday.

The new petition has been presented by the Department of Trade and Industry.

Mr. Justice Brightman adjourned, by consent, until October 10 the original petition by Prince Fawzi H. Abdullatif, the United Arab Emirates' ambassador to Zaire, based on an alleged debt of £4,000. He claims that the bank is insolvent because it failed to clear his cheque in favour of London Hilton Jewellers.

To-day's adjournment was granted on the bank's undertaking not to accept any further deposits, not to accept further liabilities except in the ordinary course of business and not to hold out two former directors as still holding office.

The bank also agreed to cooperate with a firm of accountants to report on its financial position.

Subsidence hits new motorway

A £29m. motorway stretch has run into subsidence problems only 12 weeks after being opened. The Pontarddulais by-pass section of the M4 in West Glamorgan has been hit by underground work on a new coal seam.

The Welsh Office spokesman said yesterday that the trouble was slight. It was expected to spread along a 300 yard stretch over the next two months and temporary speed restrictions were likely.

ENTS

...cold manufacturing director

...ICTS of Edward Rose (Telford) and Edward Rose (Birmingham). Mr. A. V. Pitcher has been appointed managing director of Edward Rose (Telford). Mr. Pitcher is manufacturing and engineering director on the main Board of the Edward Rose companies. Mr. J. K. Anderson joins the Board of Edward Rose (Birmingham) and Edward Rose (Telford) as sales director (non automotive products) and director responsible for purchase operations.

★

Mr. E. G. Goold retired as chairman at the end of the annual meeting of WHITECROFT yesterday and handed over to Mr. John Tavaré, who continues as managing director. Mr. Goold has been with the group for 30 years, the past ten as chairman. Mr. Tavaré, who joined Whitecroft from Unilever in 1970, became group managing director in 1975.

★

Mr. R. A. Wells, a joint managing director of the TURNER AND NEWALL subsidiary, TBA Industrial Products, has been appointed managing director of the Turner and Newall Alternative Materials and Fibres Unit, a new central organisation set up to accelerate the development of substitutes for asbestos and asbestos-based products. Mr. J. E. Heron, joint managing director of TBA Industrial Product, becomes its sole managing director and Mr. S. Marks is appointed to the new position of personnel director of that company. All three appointments are from September 1.

★

MORGAN GUARANTY TRUST COMPANY OF NEW YORK has announced the promotion to vice-president of Mr. John P. Garber and Mr. Walter Zinsser. Both are assigned to the bank's London office, where Mr. Garber heads the international money management (IMM) department and Mr. Zinsser is a member of the investment division. Mr. Robert D. McKeracher, also assigned to the bank in London, has been promoted to comptroller.

★

Miss Monica Allanach, actuary (U.K.) of the Prudential Assurance Company, has been appointed to the panel of insurance advisers to the Secretary of State for Trade. The appointment is for a three-year period. Miss Allanach succeeds Mr. K. H. Allen, whose resignation from the panel follows his retirement from the Commercial Union Assurance Company.

★

Mr. Christopher S. Hodgson, a member of the Stock Exchange, will join MONTAGU LOEBL STANLEY AND CO. as an associated member in the institutional department from August 1.

★

Mr. L. C. T. Cottrell, managing director of National Employers Life Assurance Company, has been elected president of the INSURANCE BENEVOLENT AND ORPHANS' FUNDS. Mr. T. H. Peace, of the Alexander Howden Group, has become deputy-president.

★

ALLIANCE INVESTMENT COMPANY. Mr. Charles Walnman has retired from the Board. Mr. Walnman has been a director since 1962 and was chairman from July, 1969, to March, 1974. Sir John Barnes, former Ambassador to the Netherlands, Mr. Owen Green, managing director of BTR, and Mr. Peter Rordern, MP, are to be appointed directors from September 1.

★

Mr. James Macdonald-Buchanan has been reappointed to the Board of JAMES BUCHANAN AND CO. as a non-executive director.

★

Mr. D. W. Stutchbury, chief executive of the Revertex Group, has been appointed a director of PRODORITE, which was acquired earlier this year by Revertex Chemicals.

★

Mr. R. C. Denison-Pender is being admitted to the partnership of VIVIAN GRAY AND CO., stockbrokers, from August 1.

★

Mr. D. S. Dowdall has been appointed to the Board of TELEKTRON. Mr. Dowdall was previously technical manager.

★

Following its acquisition by JSH International Inc., three American-based directors have been appointed to the Board of DISTRONIC. They are Mr. G. Ralph Bartolme, Mr. W. Neal Buxton and Mr. Jerry Klaris. All hold senior positions in JSH International and/or its parent, VSI Corporation. Mr. Murray Jacobs (managing director) and Mr. David Wood (distribution director), both of whom are based in the U.K., retain their positions. Mr. R. C. Auriema, Mr. A. L. Boroff and Mr. B. Phillip have resigned from the Distronic Board.

INTERNATIONAL FINANCIAL AND COMPANY NEWS

AMERICAN NEWS

First Bank System Inc. in $13m. deal

MILWAUKEE, July 25.

NATIONAL BANK of Wisconsin has acquired the assets and liabilities of the troubled Midland National Bank for the equivalent of $9.50 a share, giving the transaction a value of about $13m., AP-DJ reports.

National Bank is a unit of First Bank System Inc., a regional bank holding company based in Minneapolis.

First Bank also injected $10m. of new capital into Midland, as required by the comptroller of the currency. Midland, Milwaukee's fourth largest bank, had been suffering from problems with its real-estate loan portfolio.

In Washington, a spokesman for the comptroller said the transaction was allowed without shareholder approval because Midland was "in imminent danger of failing." The comptroller cited Midland's "deposit structure and its inability to provide adequate capital support for its highly complex, poorly performing loan portfolio."

Union Oil up 40%

UNION OIL of California reports net profits of $75.2m. in the second quarter, a gain of 41.4 per cent. over the $53.2m. of the second three months of 1976.

Earnings a share were $1.95 ($1.83 diluted), against $1.49 ($1.30 diluted), on sales of $1.54bn., against $1.41bn.

Corco stock

THE NYSE said trading in Commonwealth Oil Refining Company Inc.'s (CORCO) common stock, $1.72 Cumulative Preferred stock Series A, and 4½ per cent. Convertible Subordinated Debentures, due 1992, will be resumed on an interim basis to-day, reports AP-DJ from New York. Continuation of trading in the issues is subject to the satisfactory resolution of the company's previously reported financial difficulties.

● Ashland Oil Incorporated said it made no decision on whether to exercise any of its options on Corco.

ARCO payout

ATLANTIC RICHFIELD COMPANY said it raised its quarterly dividend to 50 cents per share from 40 cents, reports Reuter from Colorado.

Gulf and Western shares hit by newspaper reports

BY STEWART FLEMING

NEW YORK, July 25.

THE SHARES of Gulf and Western Industries came under pressure on the New York Stock Exchange to-day following newspaper allegations about the nature of a Securities and Exchange Commission investigation of the company's affairs.

The shares of the conglomerate, the forty-fourth largest industrial concern in the country in terms of assets, and the nineteenth in terms of number of employees, were among the most actively traded issues and *by mid-day were down $1 at $121.*

On Sunday and again to-day the New York Times has published lengthy articles by its senior investigative reporter, Mr. Seymour Hersh, dealing with allegations about the company's operations.

This morning, Mr. Martin S. Davies, executive vice-president of the company, rejected the allegations in the New York Times articles.

In a prospectus relating to a common stock issue published in December 1976, Gulf and Western said that "In July 1976 the SEC ordered a private investigation into possible violations of the Federal Securities laws by G and W and certain of its officers and directors. The order *inquires into the adequacy of* G and W's filings with the Commission in connection with financial transactions and business operations of G and W including transactions in the securities of G and W and other issuers, transactions by G and W's pension funds and transactions during the period December 31, 1971, to July 31, 1972, in the securities of A.P.S. Inc., a G and W subsidiary."

Since then there have been further developments in the company's affairs. Earlier this month the SEC supported an appeal for a stay on the implementation of a jail sentence against a former top Gulf and Western official, Mr. Joel Dolkart. Dolkart, formerly general counsel and a director of the company, was *convicted* of stealing $2.5m. from two New York law firms for whom he worked and who were retained by Gulf and Western.

Mr. Dolkart was sentenced to up to three years in prison a *year ago but has still to begin* his sentence. He has been co-operating with the SEC investigation by giving the Commission information about Gulf and Western. Because of this, the SEC supported the Appeal which kept Mr. Dolkart *out of prison* for a further period.

During the period 1958 to 1968, Gulf and Western made over 100 corporate acquisitions on its way to becoming one of the biggest U.S. conglomerates. Under Mr. Bludhorn's entrepreneurial direction, G and W survived the difficult period in the late 1960s and early 1970s when several highly diversified conglomerate businesses which had expanded rapidly through acquisitions ran into financial difficulties.

Profits setback at Exxon

BY JAY PALMER

NEW YORK, July 25.

EXXON, the world's largest oil company, suffered an unexpected fall in second quarter 1977 earnings *largely because of the* negative impact of foreign exchange transactions. While revenues in the three months rose 13½ per cent. to $14.18bn. *from $12.5bn., net profits* dropped 3.4 per cent. to $575m. from $595m.

This setback was not anticipated by Wall Street even though it was somewhat less than the 12 per cent. earnings decline reported in the first quarter. Over the first six months of this year, Exxon reported net profits down 7.9 per cent. to $1.22bn. from $1.33bn. *on revenues increased* by 11 per cent. to $28.47bn. from $25.57bn.

Despite the accompanying slowing rate of earnings decline from quarter to quarter, Exxon's second quarter performance does not compare at all well with figures already posted by other large U.S. oil companies. Of the four which have already reported, three—Standard Oil Indiana, Texaco and Amerada Hess—had earnings gains of respectively 7, 18 and 77 per cent.

The company explained that adverse currency effects gave it a second quarter net loss from foreign exchange transactions of $44m. compared with its net gain in the same period of 1976 of $41m. Such losses for the six months totalled $34m. compared *with gains of $125m. last year.*

Excluding all this, earnings were up $65m. or 12 per cent. in the second three months and $54m. or 4.5 per cent. for the half year.

In a statement accompanying the figures, Exxon's chairman, Mr. C. C. Garvin, noted that the negative current effects had been partly offset by both the return *of nationalised marketing operations* in Argentina and a sharp rise in profits from foreign marketing and refining operations. Adding that profits here leapt to $138m. from $27m. over the six months, he stressed that Exxon was still far from achieving a satisfactory return in some European markets.

Exploration and production earnings abroad dropped 7 per cent. to $524m. during the half-year partly because of the new arrangement with the Saudi *Arabian Government over ownership* of Aramco. At the same time, worldwide returns from energy operations totalled about $1.28bn. before finance charges, *compared with $1.25bn* while chemical earnings dropped 18 per cent. to $110m. because of the company's inability to recover sharply higher raw material costs in the depressed European chemical market.

Growth seen at Textron

BY OUR OWN CORRESPONDENT

NEW YORK, July 25.

TEXTRON, one of the original U.S. multi-industry conglomerates, this morning reported a continuing sharp improvement in earnings over the second quarter of 1977.

Looking back on the half-year's *earnings gain of 11 per cent.* after tax, Textron forecast that earnings for this full year will show a "significant gain" on the record returns seen in 1976.

Over the last three *months*, Textron boosted net earnings by 12.7 per cent. to $34.88m. from $30.94m. on a sales gain of 4.9 per cent. to $723.8m. from $690m. In the full six months earnings rose 11 per cent. to $63.6m. while sales rose 4.8 per cent. to $1.4bn.

The *company produced no* breakdown of its improvement by divisions, making it virtually impossible to tell with any accuracy where the growth *originated.*

Woolworths lifts payout on 6% profit rise

By Our Own Correspondent

JOHANNESBURG, July 25.

WOOLWORTHS has shown impressive strength in increasing turnover by 9 per cent. and *pre-tax profit by 6 per cent.* in the second half of its financial year to March. For the full year, earnings are 9 per cent. higher on an 11 per cent. sales increase and the dividend has been raised 1c to 16c a share.

Woolworths beating the "*no growth*" trend in national retail sales, has underlined its standing as South Africa's most highly rated stores group. The dividend has been increased annually for 15 years and it is now three and a half times higher than at the beginning of this decade.

Since 1973, a feature of Woolworth's performance has been rising pre-tax margins reflecting a changing sales mix. But the second half of this year reflected a slight trimming of margins after topping out in the first half.

Much of the R13m. turnover increase to R140m. was due to expanded trading premises in Cape Town and Johannesburg. The final earnings figure of R11.86m., *or 41c a share*, was spot on market expectations and the price has remained steady at 260c, where it now yields 6.1 per cent.

Price Forbes Sedgwick

By Our Own Correspondent

JOHANNESBURG, July 25.

PRICE Forbes Sedgwick, the *70 per cent.* owned local subsidiary of insurance brokers, Sedgwick Forbes, has requested that the listing of its shares be suspended. Although no further statement has been forthcoming, it seems likely that the group is negotiating the acquisition of a rival broking firm.

Besides Price Forbes, the shares of three other major groups involved in bid or possible bid situations are currently suspended.

SA Manganese Amcor, the North West Cape manganese producer capitalised at R210m., has now been suspended for nearly two weeks. Ovenstone Investments, the fishing and property group, has now been suspended for nearly a month while undisclosed discussions are taking place. Bonuskor, the large Afrikaner-controlled industrial holding company, is *currently suspended*

Trade unions meet on Motta, Alemagna crisis

BY PAUL BETTS

ROME,

THE THREE main Italian trade union confederations were meeting this evening to consider the *mounting financial crisis facing* Italy's two leading confectionery manufacturers, Motta and Alemagna, which also control a large network of motorway grills and snackbars throughout the country. The two companies, *employing some 7,500 people*, are threatened with imminent closure.

For their part, Motta and Alemagna employees announced to-day a two-hour strike tomorrow.

The two companies, grouped in *the state-controlled* Unidal concern, are expected to report losses between them this year of some L50bn. (about £33m.): last year, the two companies also lost about L50bn. between them.

Unidal, in turn, is controlled by the State Società Meridionale Finanziaria (SME) which was originally intended to operate in the electrical sector.

SME is now proposing to ask the Board of Unidal, in which SME has a 58 per cent. controlling stake, to liquidate the concern grouping the two confectionery companies.

Unidal reported a turnover of L324bn. last year. In the past year it has faced growing competition from small and medium-sized confectionery manufacturing groups severely hitting the operations of Motta and Alemagna.

Talks over the future of Motta and Alemagna, scheduled to take place next month, are likely to centre on restructuring proposals for the salvage of the two companies. The trade unions and the Government are expected to take part in the discussions.

The financial crisis of the two ailing companies is y *instance of the curre afflicting Italy's State*

● AP-DJ reports fr largest Italian cha La Rinascente Spa, groups, has signed cial agreement wit *Stores of Ireland Monopole of Luxer* become the intermed their purchases of Italy.

The agreement, w improve by about L La Rinascente sales vides supplying of Dunnes Stores and out of La Rinascent through its intermed other Italian firms. *La Rinascente* ported similar agree other foreign groups were prese negotiation.

Record at Australian Paper

BY JAMES FORTH

SYDNEY

AUSTRALIAN PAPER Manufacturers, major paper, timber and woodpulp group, boosted earnings from $A16.5m. to a record $A18.2m. in the year to June, despite a downturn in the second half.

In the first half, APM lifted profit 25.6 per cent. to $A8.95m. but second half results dipped almost 4 per cent. to $A9.73m. Dividend is held at 10 cents a share, but reflecting an increase in capital from a scrip issue and rights issue, will require $A12.6m. compared with $A10.5m. in 1975-76. On average capital the profit returned 15.5 cents a share compared with 15.7 per cent. in the previous year. On shareholders' funds the return edged up from 8 per cent. to 8.1 per cent.

The directors regard this return as unsatisfactory, especially when compared with returns offered by Government securities. "We achieved improvements in production efficiency and made appreciable cost reductions, nevertheless our profit growth and the overall rate of profit return on shareholders' funds are not keeping pace with inflation," they said.

Group sales rose 9.4 per cent. from $A275m. to $A301m. Income from dividends and interest jumped from $A4.3m. to $A8.3m.

The result would have been $A4.56m. higher if the company had included a tax benefit from investment allowance—normally taken *to profits by Australian* companies. Instead APM transferred this amount to "provisions for depreciation."

The company also transferred $A824,000 for the recently introduced trading stock valuation adjustment to a reserve, which is in line with a recommendation by the Australian accounting bodies. Australia's largest company, Broken Hill Proprietary last week ignored the recommendation and included $A7.3m. from the adjustment in its 1976-77 profit figures.

APM also revealed that it has adopted a form of inflation accounting by adding a "loading factor" to the various rates of depreciation on virtually all buildings, land improvements and plant and machinery used in pulp and papermaking. As a result the depreciation provision rose from $A15.5m. to $A22.6m. But how much of the increase was due to the inflation-loading was not disclosed.

The directors pointed out that industrial trouble caused the loss of 290,000 tonnes of pulp, paper and paperboard production with a market value of $A10m.

* * *

LEIGHTON HOLDINGS, construction and engineering, continued its recovery from its 1974 setback with a 55 per cent. higher profit in the year to June 30. Earnings rose from $A1.07m. to $A1.66m. boosting earnings a share from 8.9 cents to 14.3 cents. The dividend payment is increased from 6 cer and is payable increased last year two rights issue. will absorb $A745,000 to $A452,000 in year. *The Board has* another rights issue: a one for three basi price of 50 cents. days closing price the rights have a value of 13 cents.

The directors dividend will be at a share on capita latest issue.

The directors sai had been some evident in work over recent months had secured a reas of the "still limit Since January 1 had been awarded new contracts. $A121m. of new obtained for the pared with $A89m. vious year. The val pleted work in hand was up from $A6m.

The directors volume of constr available to conti prove and prospe remainder of 1977 are considered to b The major growth in Western Au Queensland, becau The board also ex growth in operatir 1977-78.

EUROBONDS

Yen loans to the fore

BY FRANCIS GHILES

THE biggest fixed interest rate Japanese Yen loan to be extended abroad by Japanese financial institutions has just been signed. A consortium of seven Japanese trust banks led by Mitsubishi Trust and Banking is lending Hydro Quebec Y20bn. for 15 years at an interest rate of 8.6 per cent. The size of the loan is explained by recent changes made by the Ministry of Finance governing Yen loans to foreign borrowers.

"The government of Ireland's Y15bn. 12-year bond is expected to be priced to-day. The coupon will probably be 7.2 per cent.—lower than the 7.6 per cent. coupon on last month's Banque Française du Commerce Extérieur issue. Lead manager *is Daiwa Securities* and the bond's average life is 9.9 years. Other overseas borrowers of Yen are postponing prospective issues in Japan as coupon rates are widely expected to be lowered at the beginning of next month.

A new bond for Hydro Quebec will be announced to-night: DM150m. for 10 years at a coupon expected to be 6½ per cent. Lead manager is Westdeutsche Landesbank.

Reuter reports from Tokyo that Sumitomo Electric Industries plans to float a $20m. convertible bond later this summer on the Eurodollar and Asian dollar market.

Net profit of Cedel SA, the Eurobond clearing system rose 6.1 per cent. to $525,797 in the first six months of 1977 compared with the same period last year. Deposits of securities increased by $2.7bn. to $14.28bn. over the same period. The issues Cedel hand rose from 2,004 to 2,217.

Total interest pa pants, whose numb at 409 compared wi earlier, amounted increase of just ove notes the growing *the Eurobond m* world-wide capital term: Eurobond i currencies chalked $8.5bn., the highe volume ever.

Primary Eurobor running at a reco rate of $16bn.

The Luxembourg ing house believes tial between short a rates the Eurobon set new records in and secondary sect

LOCKHEED AIRCRAFT

Second Quarter	1977 $	1976 $
Revenue	838m.	—
Profits	13.4m.	11.3m.
Per Share	0.91	0.94
Six Months		
Revenue	1.67bn.	—
Profits	25.5m.	22.2m.
Per Share	1.72	1.86

INGERSOLL-RAND CO.

Second Quarter	1977 $	1976 $
Revenue	513.5m.	490.8m.
Profits	*27.06m.*	*30.48m.*
Per Share	1.35	1.53
Share dil	1.31	1.48
Six Months		
Revenue	1.017bn.	0.948bn.
Profits	56.25m.	60.50m.
Per Share	2.81	3.04
Share dil	2.73	2.94

ASHLAND OIL

Third Quarter	1977 $	1976 $
Revenue	1.22bn.	1.01bn.
Profits	36.2m.	*30.8m.*
Per Share	1.23	1.12
Nine Months		
Revenue	3.6bn.	3.1bn.
Profits	108m.	91.2m.
Per Share	3.74	3.34

SCHERING-PLOUGH

Second Quarter	1977 $	1976 $
Revenue	235.2m.	218.8m.
Profits	42.84m.	39.62m.
Per Share	0.79	0.73
Six Months		
Revenue	473.5m.	439.7m.
Profits	88.27m.	80.13m.
Per Share	1.63	1.48

SQUIBB CORPORATION

Second Quarter	1977 $	1976 $
Revenue	322.5m.	291.3m.
Profits	*25.16m.*	27.02m.
Per Share	0.56	0.60
Six Months		
Revenue	616.3m.	567.5m.
Profits	44.9m.	46.3m.
Per Share	1.00	1.03

LONE STAR INDUSTRIES

Second Quarter	1977 $	1976 $
Revenue	220.0m.	189.0m.
Profits	10.41m.	9.73m.
Per Share	0.93	0.88
Share dil	*0.85*	*0.80*
Six Months		
Revenue	395.7m.	341.1m.
Profits	10.58m.	10.26m.
Per Share	0.94	0.92
Share dil	0.88	0.86

U.S. GYPSUM CO.

Second Quarter	1977 $	1976 $
Revenue	292.0m.	239.3m.
Profits	15.04m.	10.43m.
Per Share	0.86	0.58
Six Months		
Revenue	539.3m.	454.9m.
Profits	19.4m.	18.1m.
Per Share	1.08	1.00

FREUHAUF CORP.

Second Quarter	1977 $	1976 $
Revenue	461.0m.	387.3m.
Profits	16.24m.	13.17m.
Per Share	1.35	1.10
Share dil	1.25	1.03
Six Months		
Revenue	882.2m.	726.8m.
Profits	26.53m.	22.80m.
Per Share	2.21	1.91
Share dil	2.06	1.79

U.S. INDUSTRIES

Second Quarter	1977 $	1976 $
Revenue	344.9m.	352.0m.
Profits	*12.37m.*	*10.06m.*
Per Share	0.36	0.29
Six Months		
Revenue	682.3m.	*705.4m.*
Profits	22.68m.	17.73m.
Per Share	0.66	0.50

BRUNSWICK CORP.

Second Quarter	1977 $	1976 $
Revenue	252.4m.	236.9m.
Profits	10.60m.	12.28m.
Per Share	0.53	0.65
Six Months		
Revenue	513.4m.	469.3m.
Profits	22.63m.	23.35m.
Per Share	1.14	1.24

FRANKLIN MINT CORP.

Second Quarter	1977 $	1976 $
Revenue	74.7m.	72.5m.
Profits	1.13m.	6.18m.
Per Share	0.13	0.73
Six Months		
Revenue	153.0m.	136.1m.
Profits	5.75m.	10.56m.
Per Share	0.68	1.25

DILLINGHAM CORP.

Second Quarter	1977 $	1976 $
Revenue	209.3m.	208.9m.
Profits	2.84m.	9.46m.
Per Share	0.21	0.69
Six Months		
Revenue	*415.7m.*	*406.3m.*
Profits	5.86m.	15.03m.
Per Share	0.43	1.11

CONTINENTAL CORP.

Second Quarter	1977 $	1976 $
Profits	72.2m.	19.9m.
Per Share	*2.73*	*0.73*
Six Months		
Profits	114.9m.	42.4m.
Per Share	4.34	*1.58*

BLACK & DECKER MFG.

Third Quarter	1977 $	1976 $
Revenue	205.3m.	186.2m.
Profits	*12.3m.*	*9.3m.*
Per Share	0.30	0.22
Nine Months		
Revenue	626.9m.	572.4m.
Profits	39.2m.	31.4m.
Per Share	*0.94*	0.75

AVON PRODUCTS

Second Quarter	1977 $	1976 $
Revenue	360.4m.	324.6m.
Profits	*37.90m.*	*34.15m.*
Per Share	0.65	0.59
Six Months		
Revenue	669.1m.	598.0m.
Profits	63.79m.	57.36m.
Per Share	1.10	0.99

UNITED BRANDS

Second Quarter	1977 $	1976 $
Revenue	645.5m.	607.1m.
Profits	11.1m.	9.8m.
Per Share	0.94	0.83
Six Months		
Revenue	1.23bn.	1.17bn.
Profits	14.6m.	12.4m.
Per Share	1.21	1.01

WALT DISNEY PROD.

Third Quarter	1977 $	1976 $
Revenue	165.1m.	148.7m.
Profits	20.35m.	18.86m.
Per Share	0.64	0.59
Nine Months		
Revenue	424.6m.	403.9m.
Profits	49.97m.	48.06m.
Per Share	1.57	1.50

UNION CAMP CORP.

Second Quarter	1977 $	1976 $
Revenue	281.8m.	259.0m.
Profits	31.55m.	32.36m.
Per Share	1.30	1.34
Six Months		
Revenue	537.9m.	508.5m.
Profits	59.85m.	*61.38m.*
Per Share	2.47	2.61

TRANS UNION CORP.

Second Quarter	1977 $	1976 $
Revenue	219.1m.	185.9m.
Profits	13.01m.	11.28m.
Per Share	1.15	1.05
Six Months		
Revenue	416.50m.	347.22m.
Profits	23.89m.	20.42m.
Per Share	2.13	1.90

CROCKER NAT. CORP.

Second Quarter	1977 $	1976 $
Profits	11.91m.	11.01m.
Per Share	0.96	0.98
Share dil	0.89	0.82
Six Months		
Profits	23.78m.	21.37m.
Per Share	1.91	1.70
Share dil	1.78	1.60

KENNECOTT COPPER

Second Quarter	1977 $	1976 $
Revenue	381.5m.	259.5m.
Profits	10.5m.	10.1m.
Per Share	0.32	0.30
Six Months		
Revenue	516.4m.	453.7m.
Profits	17.5m.	9m.
Per Share	0.53	0.27

AMER. HOSPITAL SUPPLY

Second Quarter	1977 $	1976 $
Revenue	366.2m.	336.8m.
Profits	*19.93m.*	*15.82m.*
Per Share	0.51	0.41
Six Months		
Revenue	714.1m.	650.5m.
Profits	36.39m.	32.78m.
Per Share	0.94	0.85

ABITIBI PAPER CO.

Second Quarter	1977 $	1976 $
Revenue	256.0m.	241.9m.
Profits	6.84m.	6.71m.
Per Share	0.32	0.31
Six Months		
Revenue	490.1m.	399.4m.
Profits	10.33m.	Loss 1.31m.
Per Share	*0.45*	—

KIMBERLY-CLARK

Second Quarter	1977 $	1976 $
Revenue	430.1m.	401.4m.
Profits	36.2m.	31.6m.
Per Share	1.55	1.35
Six Months		
Revenue	867.6m.	815.8m.
Profits	69.3m.	63.9m.
Per Share	2.97	2.74

S. CALIFORNIA EDISON

Second Quarter	1977 $	1976 $
Revenue	471.9m.	437.9m.
Profits	46.53m.	40.34m.
Per Share	*0.86*	*0.84*
Share dil	0.82	0.80
Six Months		
Revenue	999.1m.	876.7m.
Profits	104.28m.	76.82m.
Per Share	*1.93*	*1.80*
Share dil	1.85	1.53

SOUTHERN PACIFIC CO.

Second Quarter	1977 $	1976 $
Revenue	547.4m.	481.3m.
Profits	39.62m.	31.00m.
Per Share	1.47	1.16
Six Months		
Revenue	*1.06bn.*	*0.92bn.*
Profits	66.98m.	46.18m.
Per Share	2.49	1.73

BRISTOL-MYERS CO.

Second Quarter	1977 $	1976 $
Revenue	*537.8m.*	*486.1m.*
Profits	43.45m.	39.21m.
Per Share	0.68	0.61
Six Months		
Revenue	1.08bn.	0.98bn.
Profits	78.74m.	*71.58m.*
Per Share	1.23	1.12

BAXTER TRAVENOL LABS.

Second Quarter	1977 $	1976 $
Revenue	213.5m.	165.5m.
Profits	19.18m.	15.35m.
Per Share	0.58	0.48
Share dil	0.54	0.45
Six Months		
Revenue	408.5m.	316.6m.
Profits	35.96m.	28.76m.
Per Share	1.09	0.90
Share dil	1.02	0.85

هكذا من الأصل

B hopes to maintain nings this year

MUNICH, July 25.

Messerschmidt- (MBB), Ger- aerospace firm, t. to DM1.635bn. le net profit ged at DM10.1m. , retiring chair- agement board, erence here.

rnings totalled 78 and might that level again ear, while sales row to DM1.8bn.

pf the pioneers pean aerospace to retire at the r, said that the takeover of part industrial con- nder discussion, lusions had been be told AP-Dow some potential interested, the ed quite unclear. dustry's stake in y many as the possible fusion German-Dutch FW-Fokker and

rrently owned y the State of 20 per cent. by amburg, 22 per lehm family, and r cent. by an rtium known as sting of Siemens, Aerospatiale of ng of the at 8.9 per cent.

rr writes from t a watershed in history. Its big problems now affect more than of its 20,000 tered in plants in the north to Munich, in the B is offering in technology pro- interdisciplinary ch that combina- nany believe the Germany's export depends.

stion mark over stems from the end of this year chairman, Dr. Ludwig Boelkow, who was 65 last month. Dr. Boelkow has long been recognised in the industry not only as a skilled, practical engineer but as one with an often uncanny ability to divine the needs of the coming decade in the present one—and start providing for them.

It is hardly an exaggeration to say that MBB has been created in Dr. Boelkow's image and that it is going to be very hard for another to step into his shoes. The immediate heir apparent is Herr Helmut Langfelder, long-time head of the company's aircraft division and since this month deputy board chairman. But it is widely expected that from next year the position of second man at MBB will assume much greater importance than hitherto, so that the company will have a kind of tandem leadership. It is not yet clear who this second man may be.

Immediately after the war MBB concentrated on construction engineering — where the particular need was to rebuild German cities. Then it became involved in anti-tank weapons systems as Bonn was urged to make a defence contribution to Nato. Later fields of development included civil and military aircraft, space projects—and efforts to find solutions to the problems of pollution and urban transport planning.

These wide personal interests have helped forge a company with very varied activities linked by the common bond of technology.

After years of planning, research and big investment—often backed by government funds — MBB's strategy has brought a series of profitable products. The company's multi-purpose BO-105 helicopter has been one of the mainstays, and is now flying in 16 countries. The development of the Milan, Hot, Kormoran and Roland weapons systems has been successfully carried through in cooperation with Aerospatiale of France.

The question is—where does MBB go from here? It applies the more urgently in view of the running out this year of the production programme (with McDonnell Douglas) of the F-4 Phantom, although introduction of the MRCA will help fill that gap. On the civil aircraft side the market has stagnated, bringing short time especially for those Hamburg employees involved on European Airbus construction. MBB continues strongly to hold to its view that the Airbus is a splendid aircraft — but not enough companies, even in Europe, are buying it.

Dr. Boelkow said last week he sees the main areas for MBB work over the next decade or so as further missile development, a follow-up to the MRCA and continuation and adaptation of the BO-105 programme. As always MBB speaks of the importance of international — and not only inter-European — collaboration in the success of such enterprises.

The further question being raised—not only within MBB but by the Government in Bonn—is whether MBB is the right size and has the right financial base to carry out this ambitious kind of programme in future. Hence the continued strong consideration being given to reorganisation of the German aerospace industry, and in particular to a merger of its two leading companies, MBB and the German-Dutch VFW-Fokker.

This prospect has helped spur changes in the shareholding of MBB. A merger would clearly involve re-organisation and almost certainly a loss of jobs somewhere.

MBB's net profit as a percentage of sales fell last year to 0.6 per cent. from 0.7 per cent.

For the first time turnover in MBB's aircraft construction division has passed DM1bn.—rising to DM1.06bn. or 64.8 per cent. of sales against DM993m. or 65.4 per cent. in 1975. The military sector has again improved its share of overall turnover, rising to 23.5 per cent. (DM385m.) against 20.5 per cent. in 1975 and 17.2 per cent. in 1974. The value of orders in hand at the end of last year totalled DM2.4bn.

Fixed asset investment rose sharply last year to DM124m. from DM70m. in 1975. The number of employees increased by ⅞ per cent. to 20,123.

Slowdown dampens hopes at Flick

By Guy Hawtin

FRANKFURT, July 25.

THERE IS nothing as coy when it comes to discussing business as the directors of West German close companies. While this applies in fair measure to the men at the top of Dr. Friedrich Flick's industrial fiefdom, they opened up sufficiently last week to give a tantalising peep into the group, which among other things, own Dynamit Nobel and the Bruderus Group.

Herr Eberhard von Brauchitsch, executive director of the holding concern which administers the Flick group, gave the basic message that last year the group did far better than in 1975, but rather worse than in 1974—an experience shared by many West German companies.

This year, however, things do not appear to be living up to earlier promise. Herr von Brauchitsch, appearing in splace of Dr. Flick, said group expectations had been dampened and the year's outcome was uncertain.

There had been a substantial increase in costs from 1976 to 1977, particularly due to wage increases. Continued uncertainty over Government tax plans, and costs in connection with the overhaul of the social security system had also taken their toll.

However, the group, with turnover last year of DM7.2bn. (£1.85bn.), expects profits to remain at about last year's level. Gross profits last year totalled DM503m. after DM455m. and DM569m. in the previous two years. Net profits last year were DM52m.

Herr von Brauchitsch stated that the sale of Flick's 29 per cent. stake in Daimler-Benz group had had no influence on the year's results.

Turnover in 1976, he said, had increased 12 per cent. but individual divisions had been much more variable. The Bruderus group, for instance, has seen turnover rise by 19 per cent. in the first half, largely as a result of a strong increase in sales by the defence contractor Krauss-Maffei. Special steels also did well.

The Dynamit Nobel division reported that current business was weaker than at the beginning of the year, with turnover up 5 per cent. on export growth, which was less profitable than domestic trade. The Feldmuehle capacity utilisation was currently at between 88 and 90 per cent. Turnover rose 3 per cent. in the first half, again exclusively through increased exports.

Group turnover in the first half had risen by almost 10 per cent. to DM.3.2bn. compared with the same period of 1976, he said. Flick was expecting 12 per cent. improvement in sales.

TERM LOANS

entinians back in market

GHILES

al de Desarollo et again, raising ven years at a per cent. over a group of banks ank International erica. The spread anco Nacional de was 1⅜ per cent. loan is in effect eration with the ich makes it of st. No details are

n Co. has raised years at a spread er Libor to help nstruction of a eparation plant. is Grindlay Brandts and the loan is guaranteed by the Korea Exchange Bank.

The Algerian state chemical company SNIC has just raised $14m. for six years at a spread of 1⅜ per cent. over Libor. This loan is complementary to the $36m. one it raised last March on the same terms. Lead manager in both cases is First Boston (Europe). In the case of the most recent loan, First Boston (Europe) was leading a syndicate of exclusively Italian banks. The money will help finance the purchase by SNIC of an antibiotics facility being provided by the Italian CTIP group.

The state oil company Sonatrach is borrowing $100m. for seven years at a spread of 1⅜ per cent. over Libor. Lead manager is Citicorp and the money is earmarked for the completion of the liquefied natural gas plant at Arzew, known as LNG1. Sonatrach is also believed to be borrowing $54m. on similar terms to finance the cost of building a lubos plant at Arzew. Lead managers are Citicorp Westdeutsche Landesbank Gironzentrale and the loan is complementary to export credits from West Germany and Austria.

Sonatrach has raised a third smaller loan through Bankers Trust International: $14m. for six years at a spread of 1⅝ per cent.

The Spanish steel company Ensidesa is raising $50m. for six years at a spread over Libor of 1⅜ per cent. This margin is somewhat higher than those obtained by other Spanish borrowers lately and is explained by the absence of INI guarantee. INI has however provided a letter of support for the company which it controls. The amount of the loan is expected to be increased. Lead manager is London Multinational Bank.

Plywood maker beats the trend

TAAL, one of Israel's three big plywood producers beats the building trend with an increased profit for 1976. The board recommends a final dividend of 5 per cent. An interim dividend of 5 per cent. was already paid and the stock dividend of 20 per cent. distributed in 1976 (none in 1975) reports our Tel Aviv correspondent.

Consolidated sales in 1976 increased by 50 per cent. to £8.7m. and turnover this year should reach £13m. Turnover between January and June 1977 came to £6.3m.

SELECTED EURODOLLAR BOND PRICES MID-DAY INDICATIONS

	Bid	Offer
STRAIGHTS		
Alcan Australia 9¾pc 1989	100¼	101¼
AMEV 8pc 1987	99¼	100
Australia 8¾pc 1991	103¾	104¼
Australian M. & S. 9¼pc '92	101½	102½
Bowater 9¼pc 1992	103¼	104
Can. N. Railway 8¾pc 1986	101½	102¼
Credit National 8¾pc 1986	108	108¾
Denmark 8¾pc 1984	102½	103
ECS 9pc 1995	102¾	103¼
EIB 9¾pc 1992	101½	102
EMI 9½pc 1989	101¼	102½
Ericsson 8¾pc 1989	100¾	101¼
Esso 8pc 1986 Nov.	104¼	105
Gt. Lakes Paper 8¾pc 1984	100½	101¼
Hamersley 9¾pc 1992	103¾	104
ICI 8¾pc 1987	100	100¾
ISE Canada 9¾pc 1986	105¼	106
Macmillan Bloedel 9pc 1992	101	101¾
Massey Ferguson 9¾pc 1991	104¾	105½
Michelin 9¾pc 1988	103½	104
Midland Int. Fin. 8¾pc 1986	101½	103½
Ntnl. Westminster 9pc 1986	102½	103½
Newfoundland 9pc 1989	102¾	103¾
Norges Kom. Bank 8¾pc '92	100	100¾
Norpipe 8¾pc 1989	101½	102½
Norsk Hydro 8¾pc 1992	100	100¾
Oslo 9pc 1988	102½	103¼
Ports Autonomes 9pc 1991	100½	101¼
Prov. Saskatch. 8¾pc 1986	102¾	103¼
Quebec Hydro 9pc 1992	100½	101
Reed Inntl. 9pc 1987	100½	101
Selection Trust 8¾pc 1989	98¼	99
Skand. Enskilda 9pc 1991	101½	102½
SKF 8pc 1987	98	98¾
Sweden (K'dom) 8¾pc 1987	100½	101¼
United Biscuits 9pc 1989	101½	102¼
Volvo 8pc 1987 March	98	98¾
NOTES		
Australia 8¾pc 1983	103¾	104¼
Bell Canada 7¾pc 1987	100¼	100¾
Br. Columbia Hyd. 7¾pc '85	98½	99
Can. Pac. 8¾pc 1984	101¾	102½
Dow Chemical 8pc 1986	103¾	104¼
ECS 7¾pc 1982	98	98¾
EEC 7¾pc 1982	99¼	99¾
EEC 7¾pc 1984	98	98½
Enso Gutzeit 8¾pc 1984	98¾	99¼
Gotaverken 8pc 1987	101½	102
Kockums 8pc 1983	100	100¾
Michelin 8¾pc 1983	101¾	102¼
Montreal Urban 8¾pc 1981	101½	102½
Ntnl. Coal Board 8¾pc 1981	102	102¾
New Brunswick 8pc 1984	100½	101½
New Bruns. Prov. 8¾pc 1983	103¾	104¼
New Zealand 8¾pc 1988	101¾	102½
Nordic Inv. Bank 7¾pc 1984	99	99¾
Norway 7¾pc 1982	98½	99¼
Ontario Hydro 8pc 1987	100	100½
Singer 8¾pc 1982	102¾	103¾
S. of Scot. Elec. 8¾pc 1981	101¾	102
Sweden (K'dom) 7¾pc 1982	98½	100¼
Swedish State Co. 7¾pc 1982	99¼	100¼
Tenneco 7¾pc 1987	98	98¾
Volkswagen 7¾pc 1987	99½	100½
D-MARK BONDS		
Austria 6¾pc 1985	102¾	103¾
BFCE 7pc 1987	101¾	102½
Denmark 6¾pc 1988	101¼	102
EIB 6¾pc 1984	102¾	103¼
Grand Met. 7pc 1984	100¼	101
ICI 6¾pc 1987	101¾	102¼

	Bid	Offer
Montreal 7pc 1987	100¾	101½
Norsea Gas 7pc 1989	101½	102¼
Norsk Hydro 8¾pc 1989	101½	102
Norway 8¾pc 1982	100¾	101
Shell 8¾pc 1989	105¼	106
Sweden 8¾pc 1984	102½	103
World Bank 8¾pc 1987	100	100¾
FLOATING RATE NOTES		
Bank of Tokyo 1980 8pc	102¾	103¾
BFCE 1983 6¾pc	99	99½
BNP 1983 6 1/16pc	98¼	98¾
CCF 1983 7pc	100¾	101
CGMF 1984 6 13/16pc	97½	98¼
Creditanstalt 1984 6¾pc	97½	98¼
Credit Lyonnais 1982 6¾pc	100	100¼
DG Bank 1982 6¾pc	99¾	99¾
GZB 1981 7¾pc	100¾	101¼
Intl. Westminster '84 6pc	98¼	98¾
Lloyds 1983 7¾pc	100¾	101¼
LTCB 1982 6¾pc	98¾	99¼
Midland 1983 8pc	102¾	103¾
Midland 1987 6 9/16pc	98¼	98¾
OKB 1983 6¾pc	99¼	99¾
SNCF 1985 6¾pc	97½	98¼
Stndd. & Chtrd. 1984 6¾pc	98¾	99¼
Wms. & Glyns 1984 6¾pc	99¾	99¾
Source: White Weld Securities.		
CONVERTIBLES		
American Express 4¾pc '87	89	91
Ashland 5pc 1988	96½	99½
Beatrice Foods 4¾pc 1992	99	101
Beatrice Foods 4¾pc 1992	111	113
Borden 5pc 1992	112½	114½
Broadway Hale 4¾pc 1987	81½	83½
Canon Camera 7¾pc 1989	177	
Carnation 4pc 1987	89	91
Chevron 5pc 1988	141½	143½
Dart 4¾pc 1987	85	87
Eastman Kodak 4¾pc 1988	94	96
Economic Labs. 4¾pc 1987	82	84
Fed. Dept. Stores 4¾pc '85	97	99
Firestone 5pc 1988	88½	90½
Ford 6pc 1986	98½	100½
Ford 5pc 1988	88½	90½
General Electric 4¾pc 1987	92½	94½
Gillette 4¾pc 1987	80	82
Gould 5pc 1987	118½	120½
Gulf and Western 5pc 1988	85	87
Harris 5pc 1992	119	121
Honeywell 6pc 1986	88	90
ITT 4¾pc 1987	87½	89½
Komatsu 7¾pc 1990	104½	105½
J. Ray McDermott 4¾pc '87	151	153
Mitsubishi Elec. 7¾pc 1991	134½	136
Mitsui 7¾pc 1990	105½	106½
J. P. Morgan 4¾pc 1987	106	108
Nabisco 5¾pc 1988	104	106
Owens Illinois 4¾pc 1987	126½	128½
J. C. Penney 4¾pc 1987	82½	84½
Pioneer 6¾pc 1989	150	
Raymond 8¾pc 1993	180½	182½
Revlon 4¾pc 1987	107½	109½
Reynolds Metals 5pc 1988	86	88
Sperry Rand 4¾pc 1987	87	89
Squibb 4¾pc 1987	81½	83½
Texaco 4¾pc 1988	84½	86½
Toshiba 6¾pc 1990	111	112
Union Carbide 4¾pc 1982	101½	103½
Warner Lambert 4¾pc 1987	85½	87½
Warner Lambert 4¾pc 1988	81½	83½
Xerox 5pc 1988	82	84
Source: Kidder, Peabody Securities.		

WALL STREET + OVERSEAS MARKETS + FOREIGN EXCHANGES

Profit-taking brings index down 9.2

BY OUR WALL STREET CORRESPONDENT

NEW YORK, July 25.

THE STOCK MARKET rally of the past six trading sessions came to a halt on Wall Street to-day, as prices turned broadly and sharply lower in fairly active trading.

The Dow Jones Industrial Average sustained a setback of 9.18 to 914.24, while the NYSE All Common Index fell 42 cents to $55.29. Business volume amounted to 20.43m. shares, down from 23.11m. last Friday, while declines outnumbered advances by 969 to 455.

Profit-taking received most of the blame for the downturn, but analysts also noted renewed concern about a possible slowdown in the rate of economic growth during the second-half of the year.

Major Steel issues were mostly lower, the White House having last week expressed "sharp disappointment" over recent steel price rises.

U.S. Steel fell $1 to $38 and Bethlehem Steel $1¼ to $29¼. Wheeling Pittsburgh Steel, however, rose $¾ to $13¾ after reporting lower second-quarter earnings and some steel price increases.

Vornado were active and up $1 to $7—it said merger discussions have been expanded to include the possibility of Fed-Mart, $1¾ higher at $16¼, being merged into Vornado.

Frigitoronics did not resume for trading after it was halted at $13, off $3.

Gulf and Western lost $1¼ at $12—it stated that allegations by the New York Times in connection with an investigation by the Securities and Exchange Commission contain "falsehoods."

Exxon dropped $2¼ to $52¾ on lower-than-expected second-quarter results.

THE AMERICAN SE Market Value Index declined 0.34 to 123.42. Volume 2.41m. shares (2.76m.).

MONDAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
Gulf and Western	905,500	12	−1¼
Vornado	344,900	7	[illegible]
Exxon	272,100	52¾	−2¾
Vornado	184,900	30	[illegible]
Allied Chemical	184,600	49¾	−1
Mesa Petroleum	175,300	45	−1¼
Atlantic Richfield	149,900	57¾	—
Gillette	149,400	25¾	—
Dresser Industries	146,100	42	−1¼
General Motors	135,700	65¾	−¾

OTHER MARKETS

Canada weaker

Canadian Stock Markets mainly weakened further across a broad front in light trading, the Toronto Composite Index retreating 80 to 1052.1.

Metals and Minerals, particularly dull of late, receded 7.2 more to 1010.7 on Index, while Oils and Gas declined 9.8 to 1233.4 and Banks 1.69 to 244.40. Golds, however, advanced 14.5 to 1097.1, while Papers edged up 0.02 to 102.45.

PARIS—Easier in thin trading following a report by the National Statistics Institute forecasting reduced industrial production in the coming months.

Carrefour receded Frs.26 to Frs.1,119 and Moet Hennessey Frs.14 to Frs.344.

Banks firmed slightly against the trend, while Foreign stocks were mixed.

BRUSSELS—Mixed to lower in a small business.

Societe Generale rose Frs.30 to Frs.2,855, and Fabrique Nationale added Frs.00 at Frs.2,500, but Vieille Montagne lost Frs.5 to Frs.2,455 and Cockerill Frs.15 to Frs.485.

AMSTERDAM—Mostly steady in slack conditions.

KLM declined Fls.1.60 to Fls.120.7 and IHC Holland Fls.1.00 to Fls.13.7.

State Loans were steady.

GERMANY—Shares mainly lost ground in uncertain trading following the latest dollar weakness.

Export-orientated Motors weakened, with BMW losing DM2.1 and Volkswagen DM1.8. Banks had falls to DM3, as in Bayer Vereinsbank.

Engineerings, Utilities and Electricals participated in the downtrend, although BBC gained DM1.10.

Among other scattered firm spots were Neckermann old shares, up DM2.1, and "New" DM4 higher.

Public Authority Bonds rose up to DM0.25, with the Regulating Authorities selling just over DM5m. of stock (DM4m.).

SWITZERLAND—Mainly steady apart from a few special movements.

Price changes were limited among leading Banks and Insurances, and also for most Industrials.

Dollar stocks drifted lower in moderate trading, while Germans were also easier.

OSLO — Industrials were steadier, while Banks and Shippings were mixed.

COPENHAGEN — Irregular in moderate dealings.

MILAN—The market drifted lower in quiet conditions on constant selling pressure, bringing prices near to their 1977 "lows."

All leading Industrials fell, apart from unchanged Pirelli Spa, at L935, Snia Viscosa lost L22 to L707 and Fiat L19 to L1,702.

Bonds were quietly steady.

VIENNA—Narrowly mixed.

HONG KONG—Generally lower after a slightly firmer opening, with trading slow.

Jardine Matheson and Swire Pacific each rose 20 cents to $HK14.20 and $HK6.30 respectively, but Hutchison lost 2.50 cents to $HK3.225.

TOKYO—Shares edged higher in quiet trading, with dealers reserved in view of lack of fresh stimuli. Volume 130m. shares (240m.).

Low-priced leading issues were selectively bought, while export-orientated shares, which lost heavily last week, recovered on limited buying.

Despite an anticipated long-term loan interest rate cut, large-capital issues, such as Electric Power concerns, tended to ease.

Pioneer Electronic rose Y10 to Y1,390 and TDK Electronic Y20 to Y1,510, while Olympus Optical advanced Y29 to Y860, but Kyushu Power declined Y20 to Y915.

Petroleums weakened on profit-taking.

JOHANNESBURG—Golds were mostly steady at higher levels reached on firmer Bullion indications and small overseas buying, but volume was low.

Financial Minings were quietly firm in line with Producers. De Beers gained 3 cents to R4.70. Coppers were mostly unchanged and Platinums steady to occasionally easier.

Asbestos Counters strengthened and Coals hardened in places, while Industrials were quietly steady.

AUSTRALIA—Share prices were lower, with market leader BHP falling 32 cents more to $A5.66, still unsettled by its results.

CSR lost 10 cents to $A3.10 on uncertainty over the Japanese sugar contract. Pancontinental 15 cents to $A10.50. Queensland Mines 10 cents to $A2.55. MIM 6 cents to $A1.94, and Peko-Wallsend 12 cents to $A5.50.

Bellambi, however, gained 26 cents to $A7.70, Austen and Butta 5 cents to $A2.60.

In weak Banks, ANZ shed 5 cents to $A3.50.

TEL AVIV

Company	Prices July 24, 1977	Change on the week
Banking, Insurance and Finance		
Bank Leumi Le Israel	295	+ 3
IDB Bankholding	279.5	− 1.5
Bank Hapoalim Br.	344	+ 3
Union Bk. of Israel Br.	490	+ 9
United Mizrahi Bank	218.5	+ 1
General Mort. Bk. Br.	796	+ 51
"Tefahot" Israel Mort.	673	+ 76
Land Development		
Africa Israel Inv. I £10	970	+ 145
Israel Land Dev. Br.	325	+ 39.5
Property and Building	312	+ 22
Public Utility		
Israel Elec. Corpn.	515	− 15
Investment Companies		
Bank Leumi Invest.	337	+ 24
"Clal" Israel Invest.	243	− 1
Commercial and Industrial		
Alliance Tyre & Rubber	1,005	+ 15
Elco Br.	459.5	+ 1.5
Argaman Textile Br.	360	− 40
"ATA" Textile "B"	248	+ 14
Amer. Israel Ppr. Mills	294	+ 4
Assis	250	+ 28
Elite	420	
Teva Reg.	570	+ 22
Fuel and Oil		
Delek	428	+ 38

Indices

NEW YORK—DOW JONES

	July 25	July 22	July 21	July 20	July 19	July 18	1977 High	1977 Low	Since compil'tion High	Since compil'tion Low
Industrial	914.24	923.42	921.78	920.42	919.27	910.50	999.75	898.66	1051.70	41.22
H'me Bnds	92.64	92.65	92.75	92.70	92.65	92.72	[illegible]	[illegible]	[illegible]	[illegible]
Transport	237.96	239.34	239.58	239.55	238.51	238.54	246.64	221.91	279.88	13.23
Utilities	118.15	118.67	118.48	118.58	118.25	117.62	118.67	104.97	163.32	10.58
Trading vol. 000's	20,430	23,110	22,980	29,360	31,940	26,880				

* Basis of index changed from July 1.

	July 22	July 15	July 8	Year ago (approx.)
Ind. div. yield %	4.81	4.87	4.85	3.84

STANDARD AND POORS

	July 25	July 22	July 21	July 20	July 19	July 18	1977 High	1977 Low	Since compil'tion High	Since compil'tion Low
Industrial	110.51	111.73	111.58	111.65	110.95	110.58	118.92	[illegible]	134.64	[illegible]
Composite	100.55	101.67	101.59	101.77	101.79	100.95	107.00	[illegible]	[illegible]	[illegible]

	July 20	July 13	July 6	Year ago (approx.)
Ind. div. yield %	4.54	4.43	4.42	3.38
Ind. P/E Ratio	10.51	10.12	10.14	12.77
Long Gov. Bond yield	7.61	7.59	7.60	6.58

N Y S E ALL COMMON

July 25	July 22	July 21	July 20	1977 High	1977 Low
55.29	55.71	55.64	55.75	57.07 (4/1)	52.56 (31/5)

Rises and Falls

	July 25
Issues Traded	1,866
Up	455
Down	969
Unchanged	442
New Highs	81
New Lows	28

MONTREAL	July 25	July 22	July 21	July 20	1977 High	1977 Low
Industrial	180.49	181.45	182.85	185.13	186.47 (17/5)	[illegible]
Combined	185.57	186.70	187.87	187.84	187.85 (19/7)	[illegible]
TORONTO Composite	1052.1	1060.1	1063.5	1066.2	1067.4 (19/7)	[illegible]
JOHANNESBURG Golds	197.5	196.5	197.4	196.9	[illegible]	[illegible]
Industrials	188.4	188.2	[illegible]	[illegible]	[illegible]	[illegible]

OVERSEAS SHARE INFORMATION

$ very weak

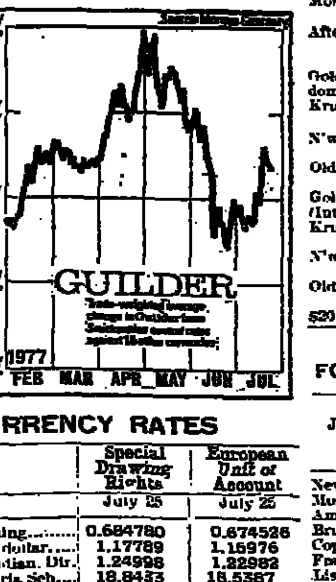
The U.S. dollar fell to a further record low against the West German D-mark in the foreign exchange market yesterday, touching DM2.2460, before closing at DM2.2480. The fall in West Germany's trade surplus last month had little effect on trading, with the German authorities continuing to intervene to support the dollar, buying $5.85m. at the fixing in Frankfurt. This proved to be little more than a smoothing operation however, with the dollar continuing to decline after the Bundesbank's support. Yesterday's intervention brought total dollar purchases at the fixings to $90.6m. over the last 15 trading days, while the dollar has fallen by about 4 per cent. against the D-mark over the same period.

The dollar's trade-weighted average depreciation since the Washington Currency Agreement, as calculated by Morgan Guaranty, widened to 2.06 per cent. from 1.93 per cent.

Forward discounts for the Swedish krona against the D-mark widened sharply following increased speculation that the Scandinavian members of the European currency "snake" may be devalued within the terms of the joint float agreement.

Sterling remained on the sidelines with the Bank of England taking the opportunity of a further decline by the dollar to add foreign currency to the U.K. reserves. The pound closed at $1.7197-7201, a rise of 2 points on the day, but the continued intervention by the authorities meant that sterling's index on the basis of the Washington Agreement, touched a record low of 60.6, compared with 60.7 on Friday.

Gold rose $1¼ to $146-146¼.



CURRENCY RATES

	Special Drawing Rights July 25	European Unit of Account July 25
Sterling	0.684780	0.674526
U.S. dollar	1.17789	1.15976
Canadian Dlr.	1.24998	1.22982
Austria Sch.	18.8433	18.5387
Belgian franc	41.1967	40.5626
Danish krone	6.94072	6.83945
Deutschemark	2.65084	2.61197
Dutch guilder	2.83989	2.79767
French franc	5.66300	5.57868
Italian lira	1038.02	1023.07
Japanese yen	[illegible]	[illegible]
Norway krone	6.10972	6.01620
Spain peseta	[illegible]	[illegible]
Swedish krona	5.05668	4.97701
Swiss franc	2.80997	2.76891

* Rate for convertible franc, Financial franc 41.[illegible]

GOLD MARKET

	July 25	July 22
Gold Bullion (a fine ounce)		
Close	$146-146¼	$144½-14[illegible]
Opening	$145-145¼	$143¾-14[illegible]
Morning fix'g	$145.75 (£84.729)	$144.30 (£83.915)
Afternoon fix'g	$146.40 (£85.111)	$144.70 (£84.133)
Gold Coins... domestically		
Krugerrand	$150¾-152¾ (£87¾-88¾)	$149-151 (£86¾-87[illegible])
New Sovereigns	$49½-51¼ (£28¾-29¾)	$48½-50 (£28¼-2[illegible])
Old Sovereigns	$44¼-46¼ (£25¾-26¾)	$44¼-46 (£25¾-26)
Gold Coins... (Internationally)		
Krugerrand	$150½-152½ (£87½-88½)	$149-151 (£86¾-87[illegible])
New Sovereigns	$48¼-50¼ (£28¼-29¼)	$47¾-49[illegible] (£27¾-28[illegible])
Old Sovereigns	$42¼-44¼ (£24¾-25¾)	$41½-43[illegible] (£24¼-25[illegible])
$20 Eagles	$213½-216½	$212¾-21[illegible]

FOREIGN EXCHANGES

July 25	Bank Rates %	Day's Spread	Close
New York	5¼	1.7196-1.7205	1.7197-1.7[illegible]
Montreal	7½	1.8220-1.8260	1.8250-1.8[illegible]
Amsterdam	3½	4.13½-4.16½	4.14½-4.1[illegible]
Brussels	6	59.80-60.40	59.95-60.[illegible]
Copenh'gen	9	10.12½-10.16½	10.15½-10.[illegible]
Frankfurt	3½	3.86-3.89½	3.86½-3.8[illegible]
Lisbon	8	65.85-66.05	65.70-65.[illegible]
Madrid	7	146.75-147.50	146.80-14[illegible]
Milan	15	1,515-1,517½	1,515½-1,5[illegible]
Oslo	6	8.88½-8.99	8.92-8.9[illegible]
Paris	10½	8.28-8.30	8.28½-8.2[illegible]
Stockholm	8	7.37-7.48	7.37½-7.[illegible]
Tokyo	5	457-460	454-4[illegible]
Vienna	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]

* Rates given are for convertible francs. Financial franc 60.45-60.65.

EXCHANGE CROSS-RATES

July 25	Frankfurt	New York	Paris	Brussels	London	Amst'dam	Zurich
Frankf't	—	2.2495-505	46.76-81	6.435-445	[illegible]	[illegible]	[illegible]
N. York	44.52-54	—	20.77-79	2.5665-7[illegible]	[illegible]	[illegible]	[illegible]
Paris	213.59-69	4.8017-137	—	13.735-6[illegible]	[illegible]	[illegible]	[illegible]
Brussels	15.51-55	34.92-97	7.25-28	—	[illegible]	[illegible]	[illegible]
London	3.86½-87½	1.7197-7201	8.26½-27½	59.35-60.[illegible]	—	[illegible]	[illegible]
Amst'm	107.07-125	2.4097-152	50.14-85	6.495-90[illegible]	[illegible]	—	[illegible]
Zurich	105.99-6.07	2.3229-36	49.57-60	6.8175-26[illegible]	[illegible]	[illegible]	—

U.S. $ in Montreal U.S. $=106.16-20 Canadian Cents.
Canadian $ in New York C $=94.21-25 U.S. cents. U.S. $ in Milan 881.15-25.
Sterling in Milan 1516.60-1518.50.

EURO-CURRENCY INTEREST RATES

FORWARD RATES

OTHER MARKETS

Tin higher as supply shortage tightens

BY JOHN EDWARDS, COMMODITIES EDITOR

TIN PRICES rose strongly again on the London Metal Exchange yesterday. Standard grade cash tin rose by £142.5 to £6,307 a tonne, virtually eliminating its discount on the three months quotation, which gained £126 to £6,308.

The prime cause of the recent upsurge in prices has been a shortage of supplies available to the market. This was emphasised again yesterday when the LME warehouse stocks figure fell by a further 70 tonnes to a total of 6,080 tonnes—the seventh consecutive weekly decline in the stocks.

The "bullish" mood of the market has attracted renewed speculative buying interest, and also covering by dealers against sales.

The shortage of supplies is particularly acute for high-grade tin following continued strong demand, mainly from the U.S. High grade cash tin at £6,335 a tonne is equal to the three months price and dealers are expecting a "backwardation" (cash at a premium to the forward quotation) could develop for a period at least.

Although some tin is reported to be on the way to the London warehouses from Malaysia, it is not known how much of this is committed for sale or might be diverted elsewhere. Meanwhile the Penang market rose over the week-end.

Bolivian threats to form a tin producers Opec-type group are not being taken too seriously. There is no doubt that producers were angered by the consumers attitude at the Tin Council meeting towards raising the Agreement's price range.

But it is slightly academic at this stage with market values above even the new "ceiling" of of $M1,500 a picul.

News that Anaconda, one of the big U.S. copper producers, was scheduled to resume negotiations with workers on strike since July 1 brought a late downturn in the London copper market last night.

Previously the market had been steady in quiet trading conditions. There is still bewilderment as to why Kennecott chose to cut its U.S. domestic copper price by 3 cents to 65 cents a pound last week, which other producers have been forced to follow.

But the rise in tin, gold and silver kept prices firm, despite an increase in warehouse stocks raising the total by 3,200 to 602,150 tonnes.

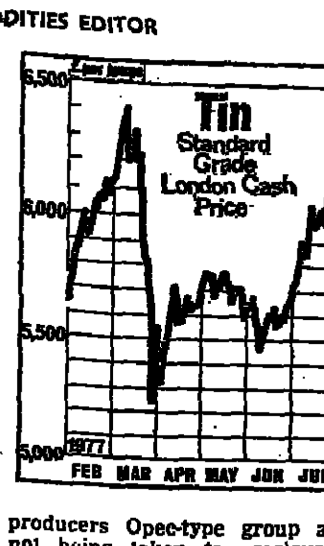
The rise in gold and renewed weakness in the value of the U.S. dollar, boosted silver values. On the London bullion market the spot quotation was raised by 3.2p to 268.85p an ounce at the morning fixing. It rose further in afternoon trading closing at around 270p.

It was noted that there was another hefty fall in LME silver stocks of 1,180,000 ounces reducing total holdings to 20,940,000 ounces. In the past four weeks LME silver stocks have fallen by nearly 6m. ounces.

As expected zinc stocks rose by 1,575 to 85,700 tonnes, and lead by 200 to 63,725 tonnes. Market prices were boosted, however, by the strength of tin, gold and silver.

● Cities Service reached tentative agreement on a new labour contract with striking copper workers at its Miami operations division, the company said.

The 570 striking employees are scheduled to meet later to ratify the agreement, which is similar to that reached by Kennecott and Newmont Mining.



Late rally cuts coffee decline

LAST WEEK'S fall in coffee futures prices was extended on the London terminal market yesterday and nearby positions closed over £100 a tonne lower despite a sharp rally in late trading.

After opening £35 down on Friday's closing level September coffee quickly lost further ground and a renewed fall in the afternoon took the price as low as £1,880 a tonne at one stage.

At this point substantial buying orders, widely assumed to be on behalf of the Brazilian authorities, were reported and the September position rallied to close at £2,013.5 a tonne, down £111.5 on the day.

The early decline was generally seen as a reflection of the total lack of roaster interest in physical coffee.

In Nairobi, meanwhile, Kenyan Coffee Board officials announced a ban on traffic in smuggled Ugandan coffee.

The move does not affect the movement of coffee consigned for shipment from Mombasa by the Uganda Coffee Marketing Board.

Downturn in cocoa prices

By Our Commodities Staff

AFTER STAGING a modest technical rally yesterday morning, cocoa prices hit the £40 permissible-limit down mark early in the afternoon. The September futures position had climbed to £2,900 a tonne and fallen to £2,760 before ending the day £38.5 lower at £2,819 a tonne.

The morning price rise was seen as a reaction against the sharp fall on Friday. But the upward trend was quickly overwhelmed by the effects of a perceptible easing in the tight nearby supply position on the London terminal market.

Dealers noted increased availability of nearby afloat resale cocoa from France, Eastern Europe and Japan. Increased gradings of cocoa for tendering against the terminal market provided further evidence of a relaxation in the nearby supply situation, they said.

A cocoa market report published to-day by Paterson, Simons and Ewart, London merchants, warns that, even in ideal conditions, the Ghana 1977/78 main crop is unlikely to exceed the 1976/77 crop, which it estimates at 322,500 tons including unrecorded "illegal" exports.

More feed price cuts possible

BY CHRISTOPHER PARKES

FURTHER cuts in the price of animal feedingstuffs could follow those announced yesterday by leading U.K. feed manufacturers.

Spillers said that if prices of soya, grains and other ingredients stayed around present levels there was a distinct possibility of more reductions.

Yesterday morning, after a week of speculation, and acting almost as if in concert, leading companies in the field announced average price cuts for most compounds of around £3 a tonne.

First to benefit will be the pig farmers and poultry keepers. Pig men, for example, should find their production costs cut by about £1 a pig. Rather than leading to any actual cuts in shop prices, one market expert commented, this relief for the farmers was more likely to help keep down the rate of price increases which seem inevitable later this year.

Among the first to react to the news was Mr. John Silkin, Agriculture Minister and arch-promoter of the case for price reductions. He said the cuts would "greatly benefit our livestock farmers particularly in the pig and poultry sectors, and in the long term will help to keep down the price of meat, poultry and milk products to the British housewife."

The moves were also welcomed by the National Farmers' Union, which said: "Any further effects from our own coming harvest remain to be seen."

J. Bibby and Sons, the Liverpool-based crusher and compounder, said he considered it wise to exercise some caution about the future at least until the domestic harvest was in. Much also depended on the future of the proteins market.

He would be better prepared to make forecasts about further price cuts in a fortnight or three weeks, he added.

Bibbys is cutting its compound prices by around £2.80 a tonne this week. Its rates for concentrates—the rations farmers usually mix with their own grain for stock-feeding—have been cut by an average £8 to £9 a tonne.

The grain trade has been faintly alarmed recently by almost daily claims and reports from sources of variable reliability that the U.K. is heading this season for a bumper cereals crop.

Mr. Silkin now is expecting about 16m. tonnes from the home harvest. Still leading in the speculation stakes is a Norfolk merchant who forecasts as much as 18m. tonnes.

Now the reaction appears to be setting in with a tendency among some in the market to try to "talk-up" prices again. One 500,000-tonne a year Lincolnshire grain trader has forecast "probably slightly less" than 16m. tonnes.

MALAYSIAN PALM OIL

Growth pangs for a new industry

BY HENRY CHANG

MALAYSIAN MINISTER of Primary Industries Datuk Musa Hitam's assurance to local palm oil refiners this month that there would be sufficient supplies of crude oil in the years ahead touches the core of an issue which has plagued one of the country's newest and fastest growing industries.

Success for the palm oil industry was swift when the decision to move down stream, to set up refiners and processors, was made a few years ago. Over 40 new project proposals have been accepted. Twelve refineries are in operation and before the year is out another six will be on stream.

Their utilisation of crude palm oil this year is estimated at 750,000 tonnes—nearly half the total of about 1.6m. tonnes of crude palm oil expected to be produced in Malaysia. With the additional six mills in operation next year's domestic consumption rate is due to rise rapidly.

This fast growth rate has turned the attention of processors who have put their money into the business to question whether there will be sufficient oil supplies in future to feed their mills.

The refining business has had several skirmishes wth the crude trade. Last year it sought Government action to ensur that the Malaysian Palm Oil Producers Association (MPOPA), the central palm oil marketing body, guarantees supplies.

Local refiners claimed they not only found difficulty obtaining oil, they also had to pay prices at a premium to the prevailing world market values, hinting at a conspiracy against them. But the MPOPA pointed out in a memorandum that it operated on a free market basis and denied it had operated to the disadvantage of the domestic buyers.

MPOPA assured refiners that the supply of crude palm oil "far exceeds" the requirements of the new industry and that its members will allocate an increasing portion of the production for domestic requirements.

But the worry among processors has persisted. There is general agreement that if all the 40-odd projects approved materialise there won't be enough oil to go round. Hence it was suggested the number of new projects should be cut down.

This suggestion was taken up and a deadline was set for those with serious intention to start up to provide proof they were actively pursuing their projects or face withdrawal of approval.

However, there is an increasing view that a complete halt in building of new projects should be called on the ground that a heavy switch to refined and processed items will be a marketing mistake.

Support for this view emerges from the fact that Malaysian palm oil's largest market, Europe, has been the most resistant to refined products, but accounts for about 40 per cent of total Malaysian palm oil exports.

Whereas the U.S. and Japan treat fractionated and semi refined oil as crude, the EEC lists these as processed products subject to a tariff of about 15 per cent.

This compares with a tariff of 4 per cent. on crude palm oil imports.

The U.S. and Japan have been the major markets for Malaysian refined palm oil, taking about 45 per cent. and 25 per cent. of total refined exports respectively. However, these markets together account for less than 30 per cent. of Malaysia's total export of palm oil.

Unless efforts made in the present EEC-ASEAN negotiations on fractionated palm oil meet with success, the industry will find an increasing proportion of its production kept out of its largest potential market as the degree of refining expands.

This prospect is worrying palm oil marketeers who think there is a very real likelihood that if the trend is not arrested the Malaysian industry will lose this market. Malaysian oil has to be very competitive against the Lomé exporters who do not pay the 4 per cent. tariff.

The reasons they say the Malaysian oil has been successful in Europe is the superior marketing and handling systems set up, reliability of supply and the ability to maintain high and consistent quality.

The African producers have made increasing progress in improving their industries and th's Malaysian lead could be whittled down.

MPOPA falls in line with this view. Its memorandum said that the "future rate of expansion of the exports of processed palm oil will be determined largely by the rapidity in which markets for crude palm oil are opened up for the processed products, and not necessarily by the supply of these products."

This supply of processed products, according to the Ministry, can be expected to reach the refined equivalent of 1.49m. tonnes of crude palm oil by 1980 against a total production of 2.43m tonnes.

The official estimates show roughly 50 per cent. of crude production for domestic refining, implying that the deadline on new projects has successfully weeded out the "malingerers" or that a timetable has been set for forthcoming plants in tandem with overall crude production growth.

However, 1.49m. tonnes is considered by some in the trade as a very great deal of oil to put into the market within three years considering that this year's total palm oil production is just 1.6m. tonnes. They feel even if the EEC market is opened up to these refined products, total expansion in export demand may not be enough to absorb the increased amount available.

America crushes less soya

U.S. production of soyameal and cottonseed cake fell last month. The mills crushed 56m. bushels of beans compared with 61m. in May and almost 75m. bushels last June.

Stocks of soyabeans held at the mills at the end of last month were 83.4m. bushels compared with 108.6m. at the end of May and 80.5m. at end-June last year.

Figures just released by the national Census Bureau show that mill output last month was 1.289m. short tons of soya cake and meal and 49,800 tons of millfeed. That compares with 1.4m. tons of cake and meal and 25,600 tons of millfeed the previous month and 1.7m. and 61,200 tons in June last year.

Mill output of cottonseed cake and meal was 102,000 short tons compared with 120,000 in May and 76,000 tons last June.

Reuter reports from Rio de Janeiro that the Bank of Brazil's export tax—or contribution quota—on soya products was cut yesterday to 4 per cent. from 7 per cent.

COMMODITY MARKET REPORTS AND PRICES

afresh in the early afternoon in line with the firmer opening on Comex, with forward metal rising to £746.5 before easing back to close at £743 on the late Kerb following the news that Anaconda is to resume talks with the unions to-day. The rise in warehouse stocks had been widely anticipated and had little effect on sentiment. Turnover: 18,750 tonnes.

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £725, three months £744, 43, 4, 3, 4. Cathodes: Cash £714.5, 14. Kerb: Three months £744, 43, 42. Afternoon: Wirebars, three months £745, 6, 5.5, 5, 4, 4.5, 4. Kerb: Three months £743.5, 43.

TIN—Sharply higher in active trading. Forward standard material opened higher at £6,220 reflecting the upturn in the Penang price and rose to £6,295 following ... afternoon the price rose afresh to £6,310 owing to further speculative buying, before easing slightly to end at £6,300 on the late Kerb. Turnover: 2,510 tonnes.

TIN	a.m. Official	+ or −	p.m. Unofficial	+ or −
High Grade	£	£	£	£
Cash	6320-30	+207	6330-40	+135
3 months	6320-30	+175	6330-40	+125
Settlem't	6330	+210	—	......
Standard				
Cash	6280-5	+192	6305-10	+142
3 months	6280-5	+152	6307-10	+126
Settlem't	6285	+190	—	......
Straits E.	$1581	+22	—	......
New York	—	......	498.5	+15.5

COFFEE

In the absence of fresh news, London opened lower in line with New York "C" Contract limit down close, reports Drexel Burnham. Further trade selling in afternoon pushed prices lower, but latterly strong interest in September position firmed prices somewhat and market finished £45 to £114.5 lower on day.

RUBBER

ABOUT UNCHANGED opening on London physical market. Little interest throughout the day, closing quiet. Lewis and Peat reported a Malaysian godown price of 194 (same) cents a kilo (buyer, August).

PRICE CHANGES

Prices per tonne unless otherwise stated

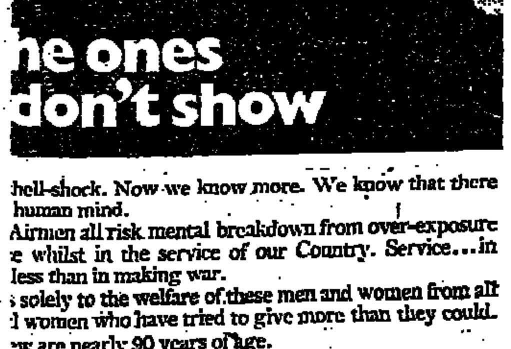
	July 25 1977	+ or −	Month ago
Metals			
Aluminium	£680	......	£680
Free Market (cif)	$1035-45	......	$1,050-60
Copper			
Cash Wire Bars	£724.5	+0.7	772
3 months do. do.	£746.7	+1.0	791.75
Cash Cathode	£714	......	761.5
3 months do. do.	£732	+0.5	781
Gold ... Troy oz.	$146.875	+1.5	14 .875
Lead Cash	£326.5	+5.0	341.5
3 months	£332.25	+5.25	345.25
Nickel			3,160

U.S. Markets

Coffee and cocoa fall; sugar easy

NEW YORK, July 25.

PRECIOUS metals were firm on speculative buying due to the weaker dollar.



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STOCK EXCHANGE REPORT

Broad technical rally under lead of British Funds

Index regains 5.7 at 437.2—Speculative stocks active

Account Dealing Dates

Option

*First Dealings	Declarations	Last Dealings	Account Day
July 11	July 21	July 22	Aug. 2
July 25	Aug. 4	Aug. 5	Aug. 16
Aug. 8	Aug. 18	Aug. 19	Aug. 31

* "New time" dealings may take place from 9.30 a.m. two business days earlier.

Stock markets made a technical rally yesterday after the recent nervous shake-out on uncertainty about future wage settlements and worries about possible industrial disruption in formulating agreements. Genuine business was limited but, after being marked up at the start, equity prices made further modest headway on small buying encouraged by the improved showing in British Funds. The latter attracted support on yield considerations with sentiment helped by forecasts of continuing stability in sterling and interest rates in the short term. Demand in Gilt-edged was centred largely on near-dated issues which ended only slightly below the day's best with gains extending to ¹¹⁄₁₆, while rises in the longer dates generally ranged to ½ and occasionally more; the Government Securities index, at 67.27, improved 0.39 after last week's drop of 0.65.

The equity leaders stayed firm throughout the day and ended only marginally below the best although closing gains were usually restricted to one or two pence. The widespread nature of the improvement was sufficient, however, to take the FT 30-share index to a rise of 6.6 at the day's best at 2 p.m. and to leave a net gain on the day of 5.7 at 437.2; this goes against last week's fall of 22.2 points. Although genuine buyers remained wary, demand developed for the more speculative securities with actual and potential bid stocks prominent. Several Oils featured with good gains, but the leaders improved only slightly. Rises in FT-quoted equities outnumbered falls, by 11-to-4, for the first time in six business days. The FT-Actuaries three main indices were all about 0.8 per cent. harder. Banks remained firm awaiting interim statements from NatWest (to-day) and Barclays (Thursday).

Gilts strengthen

With easy conditions in the Money Market favourable to buyers of Gilt-edged, the resilient trend which emerged in the Funds midway through the previous week gathered pace yesterday. Exchequer 9¾ per cent., 1982, highly recommended in a broker's investment advice last Friday and which will be dealable in special ex-dividend form for the first and only time to-day, attracted considerable interest again to close a point higher at 95¼. Treasury 12 per cent., 1983, continued to move in sympathy and closed similarly higher at 107¾. Demand was otherwise confined largely to the shorter maturities which, in the absence of any announcement about a new tap issue, thought possibly to be in the offing, made headway to the extent of ⅜ before shading slightly at the close. Stocks of a longer life established rises ranging to ½, but business was relatively small, while the mediums were a maximum of ⅜ higher. Receding fears of a rise soon in Minimum Lending Rate probably attracted funds to the shorter end of the market because of the prevailing yield structure. Corporations lagged behind the main funds and made improvements of only ¼, but Southern Rhodesians edged forward a point on news that Anglo-U.S. agreement was near on a new plan for settlement of the Rhodesian constitutional issue.

Extremely quiet conditions obtained in the investment currency market again and the premium, after fluctuating modestly between 112 and 111 per cent., settled marginally harder on the day at 111¾ per cent. Yesterday's SE conversion factor was 0.7138 (0.7148).

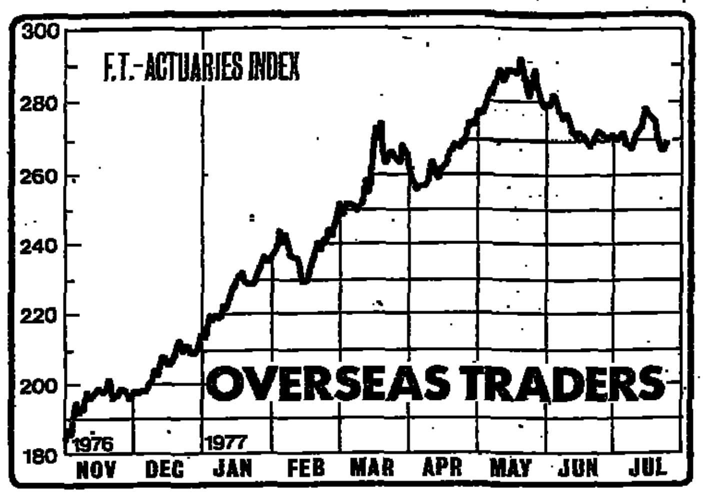
Hopes that NatWest will to-day emulate the excellent interim profits performances of Lloyds, which eased 4 to 212p ex dividend, and Midland unaltered at 298p, helped NatWest rise 6 to 228p. Barclays improved 3 to 278p; the half-yearly figures will be announced on Thursday. Grindlays hardened 2 to 97p in front of to-day's first-half announcement, while Standard Chartered improved 3 to 345p on news of the planned expansion of its Californian activities.

Composite Insurances took a modest turn for the better after favourable week-end comment. General Accident put on 3 to 185p and Sun Alliance 5 to 435p. Elsewhere, Willis Faber were favoured at 250p, up 10.

A firmer trend developed in Buildings but the volume of business remained small. J.C.E.G. at 32p, retrieved 4 of Friday's loss of 10 which followed the poor preliminary figures, while Taylor Woodrow hardened 3 to 357p in front of to-day's first-half results. Still drawing strength from last week's strong profit recovery, Burt Boulton gained 3 to 180p and Ibstock Johnsen were marked up a penny to 99p on favourable comment. BPB Industries put on 3 to 175p xd as did Norwest Holst, to 63p.

Chemicals made a quiet but firm start to the new account. ICI touched 385p before closing 2 up at 383p, while Albright and Wilson, interim figures due next month, improved a similar amount to 115p, after 116p. Allied Colloids were favoured at 212p, up 8, and Alida Packaging and Fisons were both 4 higher at 72p and 329p respectively.

Electronic issues, which were subject to profit-taking towards the end of last week, made up some of the lost ground yesterday. United Scientific gained 6 to 168p, while rises of 4 were seen in Electrocomponents, 188p, and Racal, 436p, after 438p, the last-named following the chairman's confident statement contained in the report and accounts. Leading Electricals tended better where changed. GEC improved 3 to 200p, while rises of 2 were seen in EMI, 214p, after 215p, and BICC 117p.



Reyrolle Parsons, helped by Press comment on the Drax B power plant contract, rose 5 to 169p. Elsewhere, Decca A hardened 5 to 313p.

Modest gains were recorded throughout Stores. With the help of week-end Press comment, W. H. Smith A improved 5 to 540p, while Marks and Spencer added 2 at 116p as did House of Fraser, at 112p, and UDS, at 64p. H. Samuel A, however, spoilt the sequence, shedding 6 to 166p.

Secondary Engineerings paraded several firm features. Buying in front of to-day's preliminary results took Davy International up 6 to 226p, while a week-end Press suggestion that a stake of 28½ per cent. in Metalrax, currently owned by the Coombs family, is up for sale at a likely price of 33p per share helped Metalrax rise 3 to 29p. Other Press-inspired gains of a penny were seen in Brooke Tool, 17p, and Delta Metal, 63p, while Butterfield Harvey rose 6 to 58p xd. After last week's debacle, Fairey rallied 3 to 44½p ahead of to-day's extraordinary general meeting. Still awaiting news of the bid talks currently taking place with Cooper Industries, Jevons Cooper hardened 2 more to 54p. Tace closed unaltered at 17p; the price in recent issues was incorrect.

Cavenham were active and 5 better at 83p ex the Preference stock element of the parent Generale Occidentale's partial bid, while the new 10 per cent. Preference shares opened at 94p and closed at 93p. Other Foods made headway in an improved business. Renewed speculative interest lifted J. Bibby 7 to 130p, while hopes of a bid statement from Thomas Borthwick took Matthews Holdings up 3 to 49p.

Publicity given to last week's dividend-boosting rights issue directed fresh attention to Ladbroke which improved 7 for a two-day gain of 12½ to a 1977 peak of 132p.

Lipton bid

An erratic market last week on the bid situation, L. Lipton continued last Thursday's advance that was prompted by news that talks with Lex were still taking place and jumped to 106p on yesterday morning's details of an agreed bid of 107½p cash per Lipton share before profit-taking left a net rise of 7½ at 102½p; Lex recovered 2½ to 58p. Elsewhere in miscellaneous Industrials, Powell Duffryn featured with a rise of 8 to 172p on the proposed dividend-boosting rights offer. Coltness, a weak market last week on the termination of bid talks, were helped by Press comment and recovered 6 to 46p. Press comment also aided E. Fogarty, 4 higher at 75p. Hopes of a higher bid lifted Charringtons Industrial 3 more to 60p, which compares with the 54p per share offered by Laird Group, ½ easier at 84p. Coral Leisure improved 4 to 167p ahead of Thursday's interim results. Brady Industries, however, shed 3 to 70p on the lower annual profits. Broken Hill Proprietary, still reflecting disappointment with last week's preliminary results, declined 20 more to a 1977 low of 510p. Dealings in James Warren were suspended at 63p at the company's request pending reorganisation particulars. Renewed bid hopes lifted Redfearn National Glass 7 to 198p.

Motors and Distributors had a fair share of firm spots. Heron featured with a jump of 7 to 67p, while ERF improved similarly to 88p xd with the help of Press comment. Fodens reflected the chairman's optimistic statement with a rise of 2½ to 49p xd and Manchester Garages edged up 1½ to 16½p on the substantially increased profits. Arlington were raised 7 to 79p in front of to-day's preliminary figures, while Clayton Dewandre, 95½p, and Lookers, 40p, put on 2½ and 4 respectively.

In Paper/Printings, Oxley recorded a Press-inspired gain of 2½ to 34½p. North Sea oil enthusiasm flared momentarily for Thomson which touched 590p before easing back to close only 3 harder at 583p.

Siebens strong again

Oils sported several good features outside of the recognised leaders. Siebens (U.K.) continued to feature on speculation about the company's Brae field prospect following last week's deal with Chevron; up 65 last week, Siebens surged further ahead to 258p, up 19. Attock were highlighted by week-end Press comment and rose 10 to 108p during market hours; a fresh improvement late to 112p, for a net gain of 14, followed an announcement that the shares are to be suspended as from 9.30 a.m. this morning as a result of approval at yesterday's extraordinary general meeting for the disposal of a 51 per cent. interest in its wholly-owned subsidiary, Attock Oil, to Finance and Investment International. Renewed speculative buying lifted Oil Exploration 10 to 224p. Elsewhere, Ultramar continued to attract investment demand and rose 6 to 176p, British Petroleum improved 4 to 914p with the partly-paid also 4 up, at 364p.

Modest improvements were seen in Properties. Land Securities gained 3 to 173p, while rises of 2 were seen in MEPC, 80p, and Samuel, 71p. The proposals to redeem certain Debenture issues in London City and Westcliff made for the following adjustments: the 6 per cent., 1979-84, put on £17½ to £95, the 6¾ per cent., 1982-87, £20½ to £95, the 6½ per cent., 1989-1994, £26 to £94, and the 7½ per cent., 1990-95 £25 to £94.

Inchcape move up 7 to 420p in front of Thursday's results, while Harrisons and Crosfield were called 12 higher at 387p ex the scrip issue.

Investment Trusts failed to make much headway but closed with a liberal sprinkling of small gains. Witan Investment B were quoted ex the scrip issue at 66p.

Furness Withy featured Shippings with a rise of 12 to 315p on fresh speculation on the recent sale by Eurocanadian Shipholdings of part of its FW shareholding. Lofs, still reflecting Press coment, picked up 2 more at 46p.

Textiles had a mixed appearance. Wood Bastow moved up 2 to 84p with the help of Press comment, but Cawdaw, 27p, and Homfray, 50p, both finished that much cheaper.

Awaiting to-day's interim figures, BAT Industries Deferred were fairly active and gained 5 to 210p.

Assam Frontier featured Plantations with a jump of 40 to 230p in response to further speculative demand in a restricted market. Other Tea shares moved better in sympathy. Warren Plantations rose 4 to 162p, while gains of around 10 were seen in Western Dooars, 130p, and Williamson, 165p. Rubbers had Bradwall (FMS) marginally cheaper at 23p ex the scrip issue.

Rally in Golds

South African Golds moved ahead for the first time in four successive trading days in the wake of the higher bullion price which followed the continuing pressure on the U.S. dollar.

Share prices were steady initially in quiet trading but picked up in the afternoon reflecting the firmer metal price both here and in the U.S. The Gold Mines index put on 2.1 to 118.4 while the bullion price was finally $1.50 higher at $146.375 per ounce, it's best closing level since May 23.

Heavyweights were featured by the further half-point rise to a 1977 high of £28½ in Randfontein, while West Driefontein closed ⅜ to the good at £15¾ and Free State Geduld hardened ¼ to £10.

South African-registered Financials mirrored Golds. Anglo American rose 4 to 260p, while UC Investments gained 5 to a 1977 high of 205p following favourable week-end Press comment and in front of the half-yearly results.

The firmness of the bullion price enabled Gold Fields to close 6 to the good at 157p and Charter 3 up at 126p. Selection Trust hardened to 452p in front of Thursday's annual meeting.

Rio Tinto-Zinc, however, closed unaltered on balance at 203p, after 205p, reflecting continued concern over the current Westinghouse litigation.

A better tone developed in Rhodesians on hopes of a new U.K./U.S. settlement plan. Coronation and Falcon were both 5 up at 53p and 125p respectively.

Australians, however, lost ground in line with overnight domestic markets. MIM Holdings, 10 lower at a year's low 176p, were notable weak.

The sharp rise in tin prices in Penang and on the London Metal Exchange prompted good gains in tins with Geevor 15 higher at 345p and Saint Piran 3 firmer at a 1977 high of 63p.

FINANCIAL TIMES STOCK INDICES

	July 25	July 22	July 21	July 20	July 19	July 18
Government Secs.	67.27	66.88	66.88	66.77	66.60	[illegible]
Fixed Interest	67.88	67.68	67.71	67.67	67.72	67.9
Industrial Ordinary	437.2	431.5	433.9	439.1	446.5	450.
Gold Mines	118.4	116.3	117.5	118.8	119.6	115.
Ord. Div. Yield	5.49	5.53	5.51	5.45	5.39	5.3
Earnings Y'ld%(full)	16.38	16.52	16.46	16.28	16.08	15.9
P/E Ratio (net) (*)	8.94	8.78	8.79	8.89	9.00	9.0
Dealings marked	5,126	4,619	5,963	5,758	5,875	5,3
Equity turnover £m	—	68.91	66.55	63.15	58.60	57.1
Equity bargains total	14,040	14,299	13,781	15,110	15,5	

HIGHS AND LOWS

S.E. ACT

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day
ICI	£1	14	383	+2
BATs Defd.	25p	12	210	+5
Distillers	50p	10	151	+3
BP	£1	9	914	+4
BP (Partly-paid)	£1	9	364	+4
Fairey	25p	9	44½	+3
GEC	25p	9	200	+3
GKN	£1	9	320	+4
Shell Transport	25p	9	550	+2
Attock Petroleum	20p	8	112	+14
Barclays Bank	£1	8	278	+3
Ladbroke	10p	8	133	+7
Commercial Un.	25p	7	130	+3
GUS A	25p	7	222	+4
Marks & Spencer	25p	7	116	+2

NEW HIGHS AND LOWS FOR 1977

NEW HIGHS (37)

NEW LOWS

RISES AND FALLS YESTERDAY

ENTERTAINMENT GUIDE

CC—These theatres accept certain credit cards by telephone or at the box office

OPERA & BALLET

THEATRES

RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

FT—ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS — GROUPS & SUB-SECTIONS — Mon., July 25, 1977

FIXED INTEREST PRICE INDICES

FIXED INTEREST YIELDS

OPTIONS TRADED

DEALING DATES

CONTINUED ON PAGE 9

هكذا من الأصل

AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

INSURANCE, PROPERTY, BONDS

BASE LENDING RATES

...	8½%	■ Hambros Bank	8½%
...Banks Ltd.	8½%	■ Hill Samuel ... §	8½%
...xpress Bk.	8½%	C. Hoare & Co. ... †	8½%
...	8½%	Julian S. Hodge	9½%
...d.	8½%	Hongkong & Shanghai	8½%
...cher	9 %	Industrial Bk. of Scot.	8½%
...pao	8½%	Keyser Ullmann	8½%
...it & Cmce.	8½%	Knowsley & Co. Ltd.	10 %
...us	8½%	Lloyds Bank	8½%
...W.	8½%	London & European	9½%
... Ltd.	8½%	London Mercantile	8½%
...hone S.A.	9 %	Midland Bank	8½%
...k	8½%	■ Samuel Montagu	8½%
...tie Ltd.	9½%	■ Morgan Grenfell	8½%
...ings Ltd.	9 %	National Westminster	8½%
... Mid. East	8½%	Norwich General Trust	9 %
...y	8½%	P. S. Refson & Co.	8½%
...anent AFI	8½%	Rossminster Accept'cs	8½%
... Fin. Ltd.	9 %	Royal Bk. Canada Trust	8½%
...	9 %	Schlesinger Limited	9 %
...gs	9 %	E. S. Schwab	10½%
... Japhet	8½%	Security Trust Co. Ltd.	10 %
...	9½%	Shenley Trust	11½%
...Credits	8½%	Standard Chartered	8½%
...Bank *	8½%	Trade Development Bk.	8½%
...curities	8½%	Twentieth Century Bk.	10 %
...ais	8½%	United Bank of Kuwait	8½%
...	10 %	Whiteaway Laidlaw	9 %
...ie ¶	8½%	Williams & Glyn's	8½%
...	8½%	Yorkshire Bank	8½%
...scont	9 %		
... Secs.	8½%		
...n. Corpn.	9½%		
...s. Ltd.	9½%		
...	8½%		
...t Trust	8½%		
...aranty	8½%		
...k ‡	8½%		
...on	8½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 4%, 1-month deposits 4¼%.
† 7-day deposits on sums of £10,000 and under 4%, up to £25,000 5% and over £25,000 5¼%.
‡ Call deposits over £1,000 4%.
§ Demand deposits 5¼%.
¶ Rate also applies to Sterling Ind. Secs.

Scottish Widows' Group
PO Box 902, Edinburgh, EH16 5BU. 031-655 6000

Inv. Ply. Series 1	89.7	89.7	.....	—
Inv. Ply. Series 2	85.0	89.5	.....	—
Ex. Ut. Tr. July 20	118.2	123.3	.....	—
Mgd. Pens. July 20	212.2	217.9	.....	—

NOTES

Prices do not include $ premium, except where indicated ♦, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ♦. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision.

CORAL INDEX: Close 435-440

INSURANCE BASE RATES

† Property Growth 10%
Cannon Assurance 5%
† Address shown under Insurance and Property Bond Table.

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

1977 High	Low	Stock	£	+ or -	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
101½	98¾	Treasury 11½pc '77‡‡	100 3/16	......	11.43	7.53
98 9/16	93 5/16	Treasury 3pc '77‡‡	98 5/16	......	3.04	7.71
98¾	94 7/16	Transport 4pc '72-77	98⅝	......	4.05	7.47
100⅞	95⅜	Treasury 9pc 1978‡‡	100 1/16	+ 1/16	9.00	8.88
102⅝	97⅜	Treasury 10½pc '78‡‡	101⅜	......	10.36	8.97
98⅞	90 5/16	Exch. 5pc '76-78‡‡	97⅛	+ 1/8	5.17	7.80
104 1/32	95 7/32	Treasury 11½pc '79‡‡	102¼	+ 3/16	11.25	9.92
94¼	84 13/32	Treasury 3pc '79‡‡	93⅝	+ ½	3.20	6.20
96⅛	85⅛	Electric 4½pc '74-79	94½	+ ⅜	4.50	7.01
102 13/16	92	Treasury 10½pc '79‡‡	101	+ 1/16	10.40	9.54
95¼	84⅞	Electric 3½pc '76-79	94	+ ½	3.72	6.33
100 3/4	87¾	Treasury 9pc 1980‡‡	98⅝	+ ¼	9.12	9.59
100 3/4	88¾	Treasury 9½pc '80‡‡	99¼	+ ½	9.57	9.79
93½	82⅞	Treasury 3½pc '77-80	93½	+ ⅜	3.74	5.98
94⅝	83 3/16	Funding 5¼pc '78-80‡‡	94⅝	+ ⅜	5.55	7.34
109 1/16	96 13/16	Exchequer 13pc 1980‡‡	105¾	+ ⅝	12.29	10.85
105 5/16	92 7/32	Treasury 11½pc 1981‡‡	102¼	+ ⅝	11.25	10.68
89½	77⅞	Treasury 3½pc 1979-81	89 7/16xd	+ 3/16	3.91	6.89
101⅛	86 3/16	Treasury 9¾pc 1981‡‡	97 5/16	+ 11/16	10.02	10.62
98¾	98	Treas. Variable '81	98 5/16	+ 1/16	—	—
110 1/16	96¼	Exch. 12¾pc 1981‡‡	105¾	+ 13/16	12.06	11.01
98⅝	82⅞	Treasury 8½pc '80-82‡‡	94½	+ 7/16	8.99	10.05
87⅞	71⅝	Treasury 3pc '82‡‡	85¼xd	+ ¼	3.52	6.85
115 3/16	101⅛	Treasury 14pc '82‡‡	110¾	+ 11/16	12.64	10.97
98½	98⅛	Treas. Variable '82	98½	......	—	—
		Five to Fifteen Years				
97 3/16	93⅝	Exch. 9¼pc 1982	95½	+1	9.81	10.72
109⅞	95½	Treasury 12pc 1983‡‡	107⅞	+1	11.64	11.23
68⅞	72⅝	Funding 5½pc '82-84‡‡	81⅜	+ ⅝	6.77	9.44
[illegible]						

Over Fifteen Years

[illegible]

Undated

[illegible]

**INTERNATIONAL BANK

[illegible]

**CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS (Miscel.)

[illegible]

FOREIGN BONDS & RAILS

[illegible]

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

[illegible]

S.E. List Premium 38⅞% (based on $US1.7199 per £)

Conversion factor 0.7138 (0.7146)

CANADIANS

[illegible]

S.E. List Premium 38⅞% (based on $1.8231 per £)

BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

BUILDING INDUSTRY—Continued

[illegible]

CHEMICALS, PLASTICS

[illegible]

CINEMAS, THEATRES AND TV

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Continued

[illegible]

ELECTRICAL AND RADIO

[illegible]

ENGINEERING, MACHINE TOOLS

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicle

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPBUILDERS, REPAIRERS

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

Finance, Land, etc

INSURANCE

TRUSTS—Continued

OILS

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

CENTRAL RAND

EASTERN RAND

FAR WEST RAND

O.F.S.

FINANCE

DIAMOND AND PLATINUM

MINES—Continued

CENTRAL AFRICAN

1977 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
64	36	Coronation 25c	53	+5	Q5c	8.4	6.3
130	70	Falcon Rh.50c	125	+5	†Q35c	1.7	27.4
14	9	Rhod'n Corp. 16⅔p	13	+1	0.56	4.3	6.6
165	105	Roan Cons. K4	110	......	—	—	—
164	129	Tanganyika 50p	135	......	Q11.0	1.1	8.2
70	70	Do. Pref. 80p	70	......	Q9%	16.4	10.3
35	27	Wankie Col. Rh.1	33	+3	Q7½c	1.5	22.2
27½	15½	Zam.Cpr.SBD0.24	16	......	—	—	—

AUSTRALIAN

TINS

COPPER

198	124	Messina R0.50	125	+1	Q45c	2.8	24.1

MISCELLANEOUS

9½	9	Burma Mines 17½p	9	......	—	—	—
31	18	Charterhall 5p	23	+½	—	—	—
107	58	Colby Mines $C1	94	+½	—	—	—
600	350	Cons. Murch. 10c	375	......	‡Q140c	1.4	‡
475	330	Northgate C$1	405	......	—	—	—
247	173	R.T.Z.	203	......	8.0	q3.1	6.1
70	41½	Sabina Inds. C$1	41½	......	—	—	—
£14¼	£11⅛	Tara Expln. $1	£14⅛	......	—	—	—
53	39	Tehidy Minerals 10p	45	......	1.19	ϕ	4.1
160	123	Yukon Cons. C$1	123	−2	Q6½c	3.6	2.0

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures: they are adjusted to ACT of 35 per cent. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- A Sterling denominated securities which include investment dollar premium.
- • "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ≠ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ◊ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- ¢ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ☆ Regional price.
- § No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Cover and P/E ratio exclude profits of U.K. aerospace subsidiaries. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1977-78. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1976-77. M Figures based on prospectus or other official estimates for 1976. N Dividend and yield based on prospectus or other official estimates for 1976. P Dividend and yield based on prospectus or other official estimates for 1977. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 42

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	19	......
Ash Spinning	40	......
Bertam	17	......
Bdg'wtr. Est. 50p	225	......
Clover Croft	21	......
Craig & Rose £1	360	......
Dyson (R.A.)	22	......
Ellis & McHdy	63	......
Evans Fr'k.10p	29	......
Evered	11	......
Fife Forge	44	......
Finlay Pkg. 5p	13½	......
Graig Ship. £1	350	......
Higsons Brew	90	......
I.O.M. Stm. £1	160	......
Holt (Jos.) 25p	225	......
Kleen-e-Ze	50	......
N'thn. Goldsmith	28	......
Pearce (C. H.)	103	......
Peel Mills	13	......
Sayers 12½p	32	......
Sheffield Brick	90	......
Sheff. Refrshmt.	165xd	......
Shiloh Spinn	20	......
Sindall (Wm.)	65	......

IRISH

Conv. 9% '80/82	£92⅝	......
Alliance Gas	57	+2
Arnott	310	......
Carroll (P.J.)	83	−1
Clondalkin	54	......
Concrete Prods.	78	......
Heiton (Hldgs.)	33	−1
Ins. Corp.	120	......
Irish Distillers	66	+1
Irish Ropes	135	......
Jacob	50	......
Sunbeam	15	+½
T.M.G.	88	......
Unidare	54	......

OPTIONS

3-month Call rates

Industrials					
A. Brew	6½	House of Fraser	12	Tube Invest.	30
A.P. Cement	18	I.C.I.	23	Unilever	40
B.S.R.	12	"Imps"	7	Utd. Drapery	7½
Babcock	10	I.C.L.	20	Vickers	15
Barclays Bank	25	Inveresk	7	Woolworths	6
Berry Wiggins	5	Ladbroke	11		
Beecham	38	Legal & Gen.	12	Property	
Boots Drug	15	Lex Service	6	Brit. Land	5
Bowaters	16	Lloyds Bank	22	Cap. Counties	3½
B.A.T.	21	"Lots"	5	E.P.	5
British Oxygen	6	London Brick	5	Intereuropean	5
Brown (J.)	20	Lonrho	8	Land Secs.	18
Burton 'A'	6	Lucas Inds.	25	MEPC	10
Cadburys	5	Lyons (J.)	9	Peachey	6
Courtaulds	10	"Mams"	7	Samuel Props.	10
Debenhams	8	Mrks. & Spncr	10	Town & City	2
Distillers	13	Midland Bank	25		
Dunlop	8½	Nat. West. Bank	22	Oils	
Eagle Star	11	Do. Warrants	8	Brit. Petroleum	60
E.M.I.	18	P & O Dfd.	13	Burmah Oil	8
Gen. Accident	17	Plessey	7	Shell	28
Gen. Electric	16	R.H.M.	5	Ultramar	15
Glaxo	40	Rank Org. 'A'	18		
Grand Met.	7	Reed Intl.	18	Mines	
G.U.S. 'A'	18	Reyrolle	20	Charter Cons.	12
Guardian	18	Spillers	4	Charterhall Fin.	3½
G.K.N.	25	Tesco	4	Cons. Gold	22
Hawker Sidd.	60	Thorn 'A'	22	Rio T. Zinc	16
		Trust Houses	13		

A selection of Options traded is given on the London Stock Exchange Report page.

FINANCIAL TIMES
Tuesday July 26 1977

Government allocates £100m. more to British Leyland

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

THE GOVERNMENT has made another £100m. available to British Leyland, but the drawing down of the money will depend on evidence of progress towards the reform of industrial relations.

Nearly half the £100m. allocation will be directed to the Truck and Bus groups, with much of the cars funds going to the £280m. Mini replacement project at Longbridge.

Mr. Eric Varley, the Industry Secretary, announced the allocation yesterday in a low-key statement in the Commons which will do little to dispel the uncertainty hanging over the State-owned corporation. He said the National Enterprise Board would be given sole responsibility for providing the money.

"This arrangement will emphasise the Enterprise Board's responsibility for satisfying itself that sufficient progress on industrial relations is being maintained at each stage at which the company seeks to draw on the new tranche."

The Enterprise Board said in a report on progress achieved since the toolmakers' strike in March that production in the second quarter of this year was the highest for four years.

Progress had been made towards a radical improvement in industrial relations, but there was still a long way to go.

Though Leyland Cars was not internationally competitive in terms of production and productivity, the NEB saw the prospect of the company reaching productivity levels comparable with major European competitors in the 1980s.

Such an achievement would, however, depend on a number of factors, including new facilities and better working practices.

The allocation announced by Mr. Varley yesterday is only half the £200m. envisaged at this stage in the company's rescue plan. But the Industry Secretary pointed out that a further requirement of funds was expected before the end of the present financial year in line with the original 10-year Ryder strategy.

The fact that Leyland has chosen to take two bites at the fund must reflect the pressure which both senior management and Whitehall want to place on the workforce to agree to labour relations reforms.

It is difficult for the company to insist that industrial relations reforms are vital to its survival when the Government is seen to be pumping in vast sums of money.

Another factor which has induced caution is the fact that profits took a considerable knock during the month-long toolmakers' strike. Though output targets of 20,000 vehicles a week have been achieved consistently since then, profitability has been slow to recover.

The next important date for the cars group will be August 4, when senior shop stewards will meet in Birmingham to give their verdict on progress achieved by the working party set up to negotiate fundamental industrial relations reform.

Parliament, Page 12
Turnbull chooses Iran, Leyland reassures component manufacturers, Page 8

Director arranged Ryder payment —Reed

BY MARGARET REID

MR. ROBERT Billingsley, until recently chief executive of Reed Paper, a Canadian subsidiary of Reed International, arranged for Reed Paper to repay the controversial C$100,000 (£49,500) payment made to Lord Ryder, Reed International's former chairman, by Canadian Forest Products.

This is disclosed to-day by Reed International in a statement giving the result of its investigation into he circumstances of the payment, which Lord Ryder has said he believed was a retirement gratuity from Canadian Forest, on whose Board he had sat.

Reed's latest statement says Mr. Alex Jarratt, the group's present chairman, and other senior Reed International directors, repudiate a record by Mr. Billingsley in a file to the effect that they had all agreed it would be beneficial for a C$100,000 payment to Lord Ryder to be arranged through Canadian Forest and Reed Paper.

The fact that Reed Paper had paid the money was unknown to the Reed International parent until June this year, it is said.

Departure

Lord Ryder, who will soon retire from the National Enterprise Board, said early to-day: "I have read the statement issued to-day by Reed International Limited. While I have no personal knowledge of many of the matters referred to, I note that the statement is in no way at variance with the statement I made on July 11 to which I have nothing to add."

The Reed statement recalls that in late 1974 a committee of Reed's Board chaired by the then deputy chairman, Mr. H. W. Broad, and including Mr. Jarratt, Mr. Billingsley and Mr. G. S. G. Witherington, was formed to recommend financial arrangements for Lord Ryder on *his* departure from the company.

During a meeting on November 28, 1974, Mr. Billingsley said Canadian Forest would probably wish to make a gratuitous payment to Lord Ryder. "It was clearly understood that if CFP wished to make such a payment, it was their decision and had nothing to do with Reed International."

Beneficial

According to Reed International, Mr. Billingsley subsequently arranged for Canadian Forest to pay C$100,000 to Lord Ryder against reimbursement by Reed Paper.

Reed's statement says that Mr. Billingsley recorded in a "memo to file" dated December 15, 1975 that "As part of an ad hoc committee comprised of A. A. Jarratt, H. W. Broad and G. S. G. Witherington, to review Sir Don Ryder's superannuation payments by Reed International it was agreed that for tax purposes, it would be beneficial if I arranged through CFP and Reed Paper to pay Sir Don a lump sum of C$100,000."

Reed says Mr. Jarratt and the other committee members have each, quite independently, refuted this account by Mr. Billingsley.

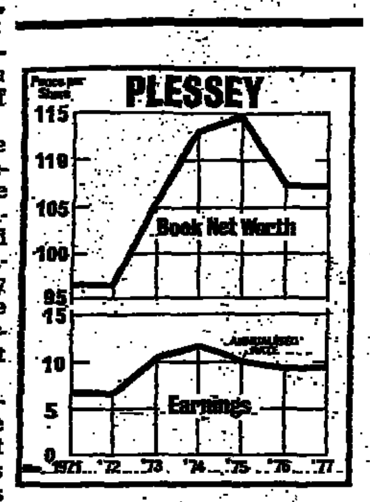
It is known that Lord Ryder received a payment from Reed International itself. He shared £50,000 which is shown in the group's 1974-75 accounts with two other retiring executive directors, Mr. Reg Inch and Mr. Ken Procter.

Statement Page 35

THE LEX COLUMN

Eurobonds shrug off weak $

Index rose 5.7 to 437.2



The U.S. dollar took another battering on the foreign exchange markets yesterday, touching a new low against most major European currencies, but it caused scarcely a ripple in the dollar sector of the Eurobond market.

When the dollar has come under serious pressure previously, dollar Eurobonds have quickly suffered through switching by investors into DM and Swiss bonds to protect themselves. But rather surprisingly Eurobond investors have shrugged off the dollar's persistent weakness over the last month.

There are plenty of explanations for the market's sanguine attitude to the dollar's current problems. It is flush with funds at the moment, loan demand is slack, potential corporate borrowers are pretty liquid, and there is plenty of new money coming into the market in the form of interest and principal repayments on outstanding bonds—Orion Bank recently estimated that $6.5bn. would flow from this source in 1977.

In addition there is a shortage of first-class investment paper around which partly explains why U.K. issues, in the absence of anything else, have been doing so well recently. The coupons on the recent Fisons and Selection Trust issues were both cut by a quarter of a point at a late stage and the latter issue was increased in size by $10m. With one-year Eurodollar deposits trading at under 6½ per cent. and these U.K. issues yielding close to 9 per cent., the Eurobond market obviously still looks appealing to investors especially since Wall Street continues to drift sideways.

However the market's recent firmness in the face of the dollar's slide could be deceiving. There was a hiccough earlier in the year when U.S. prime rates moved higher and if the U.S. Federal Reserve shows signs of tightening monetary policy further there could be an uncomfortable shakeout.

U.S. thinks small

The urge of the individual to create or expand a private company in Britain is being smothered in red tape. This assertion, which has become one of the minor themes running through the evidence submitted to the Wilson Committee, was repeated in a submission from nine executives of venture capital companies. They have, they inferred, £80m. in venture capital to invest, but very few takers.

One cure for this state of affairs would presumably be a return to a capitalist paradise of *laissez-faire* and zero direct taxation. Yet a sense of realism dictates that tax and bureaucracy must remain. The question is not how to get rid of these necessary burdens, but how they can be adapted to encourage the entrepreneurs whose lives they make so unrewarding.

Capitalist America faced up to this problem a long time ago. The Small Business Administration was set up under President Eisenhower and in the year to June 30, 1977 it provided 24,000 small businesses in the U.S. with a total of $2.6bn. in loans and loan guarantees. Such guarantees allow small companies to borrow for an average of seven years at a maximum interest rate of 9.5 per cent. The "last resort" loans provided by the agency itself cost only around 7 per cent.

The SBA provides a two-pronged solution to the problem of small company finance. It registers and regulates Small Business Investment Companies (SBICs), private companies which provide venture capital. It supplements their equity involvement by saying that any company which borrows a dollar from an SBIC can approach the SBA for up to four dollars in bank loan guarantees. Secondly, the SBA gives a more sympathetic hearing to a company that cannot borrow from its bank. By providing proof that a bank has said "no," any small business can apply for SBA guarantees.

These guarantees have done more than make small business loans acceptable to banks: they have stimulated a secondary market in such g
loans. This secondar
restores bank liqui
mobilises the cash re
investing institutions.
be that Britain's in
institutionally-orientec
of savings needs just
of stimulant. Anot
guarantee scheme—d
help small business
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even brought small pr
panies to the bond m
a triple-A rating.
The essence of the
approach to small
finance is that it leads
defined financial l
which the small bu
clamber. The ladde
exist for free. The
per cent. of the loans
tees and sustain a f
them of 6 per cent. o
amount underwritten.
officials remain conv
the overall fiscal effe
tive. Their experienc
a way in which sor
taxes that Britain's s
nesses find so debilit
be recycled to give th
ing hand.

Plessey

"International stre
most important achie
well placed to contin
trend," enthuses
release accompanyin
annual report. "19
still under pressure
been a tough year,"
the special report
employees, presumab
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Stage Two ambitio
annual report itself t
muted line between
extremes, indicating
rethinking of group
order to open the way
Thus, Plessey is r
restore equilibrium
communications bus
the Post Office orde
while it is trying to
better balance betw
and private sector m
has withdrawn from
of "ineffective" prod
Plessey has ru
growth since pre-t
reached £40m. in 1
still has half its s
sluggish home mark
the public sector)
increase was only 6
last year against 27
the export and over
Europe remain very
but the longer term
for Plessey is that i
to seek expansion in
competitive areas.

Ministers in State sector talks

Financial Times Reporter

MR. DENIS HEALEY, the Chancellor of the Exchequer, and other Ministers will be *meeting the chairmen of the* main nationalised industries to-morrow to discuss the criticisms *of Government* relations with the State-owned industries made by a National Economic Development Office report last year.

This will be the first formal discussion by the two sides of the issues raised then, although consultations have been taking place at official level and in talks between individual chairmen and Ministers of their sponsor departments.

The subject of pay and prices after July 31 is also on the agenda for the meeting, which is one of a regular series of three- to four-monthly meetings which are now held between Ministers and nationalised industry chairmen.

Mr. Healey is expected to impress upon the chairmen the Government's desire for a national earnings increase of no more than 10 per cent. during the next 12 months, while the chairmen for their part are hoping to raise the vexed question of Board members' salaries.

A White Paper setting out the Government's response to the NEDO critique is due to be published towards the end of the year.

Yorkshire Miner editor released on £2,000 bail

BY PAULINE CLARK, LABOUR STAFF

MR. *MAURICE JONES, the mine*-workers' union editor who returned to Britain over the week-end *after* seeking political asylum in East Germany, was released yesterday on £2,000 bail and on condition that he surrendered his passport.

The decision was made as Scotland Yard asked *Thames* Valley police to appoint a team of inquiry to investigate allega*tions of police threats to* Mr. Jones and his family.

Mr. Jones was freed by Willesden magistrates in North London after being arrested for jumping £50 bail originally incurred on June 23 when charged with insulting behaviour on the Grunwick picket line. He was remanded until September 27 when he will face both the picketing charge and one of breaching his own recognizance at Barnet magistrates court.

He was remanded on his own surety of £1,000 and on the same amount from Mr. Dick Kelley, Labour MP for the mining constituency of Don Valley.

The police inquiry is to be set up in response to a request by Mr. Arthur Scargill, leader of the Yorkshire miners, who started *pressing for* an investigation a week ago after releasing details of a letter from Mr. Jones *explaining for the first time the* reasons why he had left.

In letters to friends in Sheffield, Mr. Jones had spoken of threats by plain clothes police to his Finnish-born wife, Leena, *and his* two-year-old daughter, Tanya, being "uppermost" in his mind when he decided to *leave the country* and his £4,000-a-year job as editor of the Yorkshire Miner.

The *police inquiry* is also expected to investigate a complaint by Mr. Scargill about the *manner of Mr. Jones's arrest* at Heathrow airport on Sunday by Metropolitan police. Witnesses alleged that he was "wrestled" to the ground by six officers and dragged, protesting violently, through the *customs* barrier.

In another of the many issues which have arisen out of the Grunwick union recognition dispute, it seemed last night that there had been a return to the *status quo* at the Cricklewood postal sorting office, with postal workers still locked out because of their refusal to handle Grunwick mail.

After efforts over the week-end failed to achieve normal working at the North London depot—the local sorting office for the Grunwick factory—the date of a meeting between the area's businessmen and Sir William Ryland, chairman of the Post Office, was brought forward to late last night.

The businessmen have claimed that some of their companies are facing closure because they cannot collect their mail in the Cricklewood office.

A major area meeting has also been called for to-day by the London district council for the Union of Post Office Workers.

The latest flurry of meetings follows a Post Office and UPW move at the week-end to remove the 65 sacks of Grunwick mail which had been lying untouched.

It was hoped that this would enable the three-week-old suspensions on 130 postal workers at Cricklewood to be removed. But a token force which turned up for work yesterday, again refused to handle Grunwick's incoming mail and the men were immediately re-suspnded.

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Britain confident of winning JET

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT

BRUSSELS, July 25.

THE BRITISH Government appeared increasingly confident to-day that it can win the backing of its Common Market partners for its demand that the JET thermo-nuclear fusion project should be built at Culham Research Laboratory, near Oxford.

It is now apparently prepared, if necessary, to see the question of the JET site decided by an informal majority vote among the Nine which, it believes, would reveal a clear consensus in favour of Culham.

Until now, the British Government has insisted that the matter should be decided on the basis *of unanimity because it feared* that Culham would lose out to the only other serious competitor *for the project, the Garching* research facility outside Munich.

But even if Britain succeeds *in swinging the majority of other* EEC Governments behind its position, it appears doubtful whether final agreement can be reached by Foreign Ministers of the Nine when they meet in Brussels to-morrow. A further meeting may be needed in the autumn.

One obstacle yet to be surmounted is the German Government's strong support for Garching. Another is the attitude of the French Government, which indicated recently that it is losing interest in the fusion research which JET entails and would prefer to pursue an alternative programme under way at its national research facility in Cadarache.

Intensive behind-the-scenes efforts have been made recently to break the 18-month deadlock over the JET site. A particularly active role has been played by the Belgian Government, which took over the Presidency of the EEC Council of Ministers at the start of this month.

Meanwhile, in an attempt to speed a decision, the EEC Commission revealed to-day that the originator of a rival project in the U.S.—Prof. Paul Reardon of Princeton University — had inquired whether any members of the JET team would be prepared to work with him if JET did not go ahead.

Continued from Page 1

Channel

reserves have so far been discovered on the U.K. Continental *Shelf*.

It is thought that a further 1.5bn. to 2bn. tonnes still remains *to be discovered, some of this in* the South Western Approaches and in other areas where *boundary lines have still to be* agreed with Norway and Ireland.

Our shipping correspondent *writes: This agreement not only* opens the way for exploration and exploitation of the Western Approaches, but also for further potential hazards in what are already the most crowded sea lanes in the world.

Ships' masters have had to exercise extra care in negotiating oil installations in the North Sea but any rigs and supply vessels operating in the more confined Channel approaches could prove more of a problem.

David Curry writes from Paris: France has been drilling for oil in the undisputed part of the Western Approaches for more than two years, but so far without success.

Her almost total dependence on imported energy, apart from hydraulic power and some gas, means that the possibility of finding offshore oil or gas fields is a vital consideration for the Government.

Weather

U.K. TO-DAY

COOL, showery with sunny intervals.

London, S.E., Cent. S. and Cent. N. England, E. Anglia, E. Midlands, E. England

Sunny intervals, scattered showers. Max. 18C (64F).

W. Midlands, Channel Is., S.W. England, S. Wales

Sunny intervals, scattered showers. Max. 17-18C (63-64F).

N. Wales, N.W. England, Lake District, Isle of Man, Glasgow, Argyll, S.W. and N.W. Scotland, N. Ireland

Sunny intervals, scattered showers. Max. 15-17C (59-63F).

N.E. England, Borders, Edinburgh, Dundee, Aberdeen, Cent. Highlands

Scattered showers, sunny intervals. Max. 14-15C (57-59F).

Moray Firth, N.E. Scotland, Orkney, Shetland

Cloudy, showers or longer outbreaks of rain. Wind strong at times. Max. 13C (55F).

Outlook: Sunny intervals, showers and perhaps rain in South.

BUSINESS CENTRES

		Y'day mid-day °C	°F			Y'day mid-day °C	°F
Amsterdm.	C	17	63	Madrid	S	31	88
Athens	S	32	90	Manchstr.	C	16	61
Bahrain	S	39	102	Melbourne	F	12	54
Barcelona	S	26	79	Milan	S	25	77
Beirut	S	29	84	Montreal	C	22	72
Belfast	C	14	57	Moscow	C	22	72
Belgrade	S	25	77	Munich	Th	20	68
Berlin	R	14	57	Newcastle	F	15	59
Brmnhm.	R	13	55	New York	C	25	77
Bristol	R	15	59	Oslo	C	16	61
Brussels	C	14	57	Paris	C	14	57
Budapest	S	25	77	Perth	F	17	63
B. Aires	S	13	55	Prague	R	20	68
Cairo	S	34	93	Reykjavik	R	10	50
Cardiff	C	15	59	Rio de J'o	S	30	86
Cologne	C	15	59	Rome	S	28	82
Copnhagn.	F	19	66	Singapore	R	30	86
Dublin	C	14	57	Stockhlm.	C	17	63
Edinburgh	C	13	55	Strasbrg.	R	16	61
Frankfurt	C	15	59	Sydney	F	16	61
Geneva	F	16	61	Tehran	S	43	110
Glasgow	F	16	61	Tel Aviv	S	29	84
Helsinki	C	18	64	Tokyo	C	29	84
H. Kong	S	29	84	Toronto	C	23	74
Jo'burg	S	13	59	Vienna	S	27	81
Lisbon	F	19	66	Warsaw	R	26	79
London	F	15	64	Zurich	R	16	61
Luxemb'g	C	16	61				

HOLIDAY RESORTS

		°C	°F			°C	°F
Ajaccio	S	25	77	Jersey	S	13	55
Algiers	S	29	84	Las Plms.	C	23	73
Biarritz	C	18	64	Locarno	R	20	68
Blackpool	C	16	61	Majorca	S	26	79
Bordeaux	C	19	66	Malaga	S	31	88
Boulogne	C	17	63	Malta	S	33	92
Cape Town	S	13	55	Nairobi	S	25	77
Corfu	S	28	82	Naples	S	26	79
Dubrovnik	S	27	81	Nice	S	26	79
Faro	S	29	84	Oporto	S	22	72
Florence	C	26	79	Rhodes	S	30	86
Funchal	C	22	72	Salzburg	S	29	84
Gibraltar	S	27	81	Tenerife	S	20	68
Guernsey	C	15	59	Tunis	S	33	91
Innsbruck	S	25	77	Valencia	S	35	95
Inverness	R	12	54	Venice	S	26	79
Istanbul	S	26	79				

S—Sunny. F—Fair. C—Cloudy. R—Rain. Th—Thunderstorm.

Government intervenes in RTZ case

BY PAUL CHEESERIGHT

THE GOVERNMENT has intervened in the legal struggle being waged by five Rio Tinto-Zinc Corporation directors and two other executives to *avoid giving* evidence in a U.S. lawsuit brought by power utilities against Westinghouse Electric Corporation for cancelling uranium delivery contracts.

In the Court of Appeal yesterday morning RTZ executives failed to obtain a ruling which would have prevented them from having to appear as witnesses at a preliminary hearing of the utilities-Westinghouse case held at the U.S. Embasy yesterday afternoon.

Two RTZ executives, Mr. Kenneth Bayliss and Mr. Andrew Buxton, nevertheless *refused to* answer questions from Westinghouse counsel at the U.S. Embassy hearing, largely on the grounds of the U.K. Government's interest in the proceedings.

The case is one of a number which centre on or are related to allegations that a cartel of uranium producers existed between 1972 and 1974 to push up prices. The U.S. Justice Department has conducted inquiries. Grand jury proceedings *are taking place in the U.S.*

Westinghouse has charged 29 uranium producers, including *RTZ companies, with operating* a cartel which contributed to the rise in prices preventing them *honouring contracts with the* utilities.

Direct link

RTZ feels that information it released in *one court might* be used in another, not least within the EEC if competition policy *were to be infringed. While* the motives behind the Government's intervention are not *clear, it has a direct link with* RTZ because the latter is a supplier of nuclear fuel to U.K. *utilities.*

At yesterday's U.S. Embassy hearing, Mr. Michael Burton, *representing Mr. Bayliss and Mr.* Buxton, said that the Government was giving urgent con*sideration to claiming Crown* privilege in the proceedings. This would mean that the *Government might decide that* State interest was at stake and that information about this should *not* be disclosed at this stage.

Mr. Burton revealed that the *Government may wish to support* RTZ's appeal to the Lords. It may also seek from the U.S. *Government a discharge of the* immunity order granted to the RTZ executives last Monday by *Judge Merhige of the Federal* District Court of Virginia, which is hearing the utilities-Westinghouse case.

Once Judge Merhige had granted the immunity order, the RTZ executives were then in a situation where evidence they might give would not make them liable to prosecution but where they would no longer have recourse to the Fifth Amendment, a U.S. legal device to avoid giving self-incriminating evidence.

The grant of the immunity order prompted RTZ last week to appeal to the Lords against a *ruling delivered in the Court of* Appeal on May 26, which obliged RTZ executives to attend hear*ings of Judge Merhige's court.*

In the Court of Appeal yesterday RTZ failed to persuade the *Master of the Rolls, Lord Den*ning and Lord Justices Roskill and Shaw to grant a stay of the *order of May 26, pending a ruling* by the Lords. Costs were given to Westinghouse.

Lord Denning said that if an appeal was going to be made it should have been made a long time ago. *He made no comment* on submissions of Mr. Peter Gibson, representing the Attorney-General.

Mr. Gibson said that the U.S. Government wanted evidence for grand jury proceedings which are taking place in the U.S. on an anti-trust case. He argued that to use letters rogatory (the legal formula under which RTZ executives would give evidence in the U.S. court) of civil proceedings for criminal proceedings was contrary to The Hague Convention of 1968.

This governs the giving of evidence by nationals of one country in the court of another.

The Government had expressed its disquiet *to the U.S.* authorities and hoped to have discussions with them. *A decision on whether to intervene in* the Lords appeal case would depend on those discussions.

RTZ *had written to the* Government indicating that its evidence could raise questions of public interest, Mr. Gibson said.

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